

JPRS-WER-86-090

4 SEPTEMBER 1986

# West Europe Report

**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

4 SEPTEMBER 1986

## WEST EUROPE REPORT

## CONTENTS

## POLITICAL

## GREECE

ND Query on KYP Contacts With Libya (I KATHIMERINI, 18 Jul 86) .....	1
Alleged Developments Within KYP Described (PONDIKI, 27 Jun 86) .....	2

## NORWAY

Poll: Nonsocialist Government Best Able To Handle Problems (AFTENPOSTEN, 19 Jul 86) .....	4
Nonsocialists See Increased Support, by Lars Hellberg Conservative Newspaper on Poll, Editorial	4 7

## PORTUGAL

Forthcoming Certainty of Need for Early Elections (Editorial, Nuno Rocha; TEMPO, 25 Jul 86) .....	9
PRD Seen Inactive, Waiting for Eanes (Rogerio Rodrigues; O JORNAL, 25 Jul 86) .....	12
PCP: Constructive, Destructive Aspects Discussed (TEMPO, 25 Jul 86) .....	14
Briefs	
New PRD Parliamentary Leadership	16
Portuguese Edition of USSR Magazine	16

## TURKEY

- Influence of Parliamentarians Union on Policy-Making Explained  
(Sinasi Ozdenoglu; MILLIYET, 23 Jun 86) ..... 17

## SOCIAL

## SPAIN

- Foreign Worker Information Center Established  
(Elena Lorente; EL PAIS, 16 Jun 86) ..... 20

## TURKEY

- Survey Reveals Support for EEC  
(MILLIYET, 26 Jun 86) ..... 23

## ECONOMIC

## FEDERAL REPUBLIC OF GERMANY

- DIW Report: Export Competitiveness in Third World Market  
(Dieter Schumacher; DIW WOCHENBERICHT, 5 Jun 86) ..... 27

## GREECE

- Economic Problems With Poland Discussed  
(TA NEA, 15 Jul 86) ..... 38

- Study Shows Greek Goods Less Competitive  
(TO VIMA, 15 Jul 86) ..... 39

- Trade Deficit Said To Presage New Economic Measures  
(Kostas Dedes; I KATHIMERINI, 18 Jul 86) ..... 41

- Briefs  
Tobacco-Purchase Agreements Broken ..... 43

## ICELAND

- Unique Social Compact Breaking Cycle of Inflation  
(Johan Myrsten; SVENSKA DAGBLADET, 16 Jul 86) ..... 44

## NETHERLANDS

- Coalition Agreement Aimed at Combatting Unemployment  
(NRC HANDELSBLAD, 1 Jul 86) ..... 48

## PORTUGAL

- Trade With USSR Reportedly Concentrated in Single Firm  
(Alvaro Mendonca; SEMANARIO, 26 Jul 86) ..... 51



Briefs	
Foreign Debt Figures	55

## SPAIN

Foreign, Domestic Industrial Investments for 1985 Analyzed (J. Garrido; YA, 3 Aug 86) .....	56
Deficiencies Reported in Deposit Insurance Fund (EL PAIS, 27 Jul 86) .....	59

## TURKEY

Results of EEC Membership Survey in Europe (MILLIYET, 25 Jun 86) .....	61
European Parliament Denies Economic Aid (Ahmet Sever; MILLIYET, 29 May 86) .....	65
Kaya Erdem, Ozal on State of Economy (Osman Ulagay; CUMHURIYET, 23 Jun 86) .....	66
Ground Broken for Istanbul Metro (Yasar Ozay, Ogus Guven; GUNAYDIN, 23 Jun 86) .....	68
Steel Industry Status in Doubt (Faruk Beskisiz; CUMHURIYET, 15 May 86) .....	70
Status of Seaport Improvements (DUNYA, 15 May 86) .....	72

## MILITARY

### FINLAND

Coast Guard Ends Search After Reported Submarine Sighting (Stig Kankkonen; HUFVUDSTADSBLADET, 29 Jul 86) .....	73
Paper Comments on Impact for Nordics of USSR Military Buildup (Editorial, Rafael Paro; HUFVUDSTADSBLADET, 26 Jul 86) .....	75

### GREECE

Papandreou, Chirac Reportedly Talk About Military Procurements (PONDIKI, 4 Jul 86) .....	78
---	----

### PORTUGAL

Briefs	
Arms Traffic Transit Point	80

## SPAIN

Number of Military Installations in Madrid To Be Reduced (EL PAIS, 27 Jul 86) .....	81
Changes in Voluntary Military Service Announced (DIARIO 16, 30 Jul 86) .....	86

## SWEDEN

Book Sees Submarine Violations as Part of USSR Overall Plan (DAGENS NYHETER, 24 Jul 86; SVENSKA DAGBLADET, 19, 21 Jul 86) .....	87
Norrland Sighting Reports Discounted, by Bengt Falkkloo .....	87
Paper on Espionage, Violations, Editorial .....	88
Bildt Reviews Book on Violations, by Carl Bildt .....	90
Conservatives Demand Annual Increases in Defense Budget (Willy Silberstein; SVENSKA DAGBLADET, 6 Jul 86) .....	94
Paper Underlines Importance of Voluntary Defense Groups (Editorial; SVENSKA DAGBLADET, 6 Jul 86) .....	96

## ENERGY

### FINLAND

Briefs	
Slower Energy Consumption Growth .....	98

### TURKEY

Private Firms To Produce Electricity (DUNYA, 25 Jun 86) .....	99
Oil Prices To Be Deregulated (TERCUMAN, 24 Jun 86) .....	100
Deficit With Oil Suppliers Recovered (DUNYA, 25 Jun 86) .....	102

/9986

## ND QUERY ON KYP CONTACTS WITH LIBYA

Athens I KATHIMERINI in Greek 18 Jul 86 p 1

[Text] The government is being called to inform the Greek people whether or not KYP [Central Intelligence Service] maintains close contacts with the corresponding Libyan services, whether or not Libyans with Greek names are employed in public services and whether or not 56 diplomatic license plates have been given to the Jamahiriya embassy, although only four Libyans are officially accredited as diplomats.

These very serious charges are part of a query introduced in the Chamber of Deputies by ND deputies I. Palaiokrassas, I. Varvitsiotis and G. Souflias who did not consider the answer given by Minister of Public Order Drosogiannis on the activity of Libyan diplomats in Greece clear. More particularly, in their query, the deputies from the official opposition are asking the government to inform the Chamber and the people:

1. Is it true that, while only four Libyan diplomats are officially accredited, the government has given diplomatic plates to 56 Libyans?
2. Is it true that among these are two known terrorists or, in any case, people who have been deported from an EEC country?
3. Is it true that some of these people are smuggling weapons, using Greece as their base? And are some of the weapons being channeled into Greece, and to whom?
4. Is there truth to the journalistic information that Libyans with Greek names who speak Greek fluently are employed in public organizations and enterprises, even those of strategic importance such as Olympic and OLP [Piraeus Port Authority]?
5. Is it true that KYP maintains unofficial but close contacts with the corresponding Libyan secret services and that in May there was a secret meeting between the two services in an Athens hotel?
6. Is there truth to the information that the OAP [expansion unknown] offices in Cyprus and Libya are controlled by the Athens office, which is the center?

The ND deputies are asking, moreover, for copies of all the diplomatic car licenses issued for Libyan and Syrian nationals to be given to the Chamber.

9247

CSO: 3521/206

## ALLEGED DEVELOPMENTS WITHIN KYP DESCRIBED

Athens PONDIKI in Greek 27 Jun 86 p 20

[Text] Here's...KYP [Central Intelligence Service] and an important transfer, which we think is the most significant since Alexakis' removal: Lieutenant Colonel D. Karatzanis, who heretofore served in the KYP staff office, is being removed from the pious institution in July and assigned to a unit in Crete. Karatzanis was considered the right hand of the former KYP commander, Giorgos Politis, and was the person who:

1. Accompanied Politis to the United States for the famous Bokhan "investigation."
2. Testified as a witness for the prosecution in the trial of Lieutenant Vasilis Serepisiou.
3. Had taken charge of composing the KYP organization chart when talk about making it a civil service first occurred, but his plan was rejected because (as they say) essentially it provided for soldiers staying rather than being removed.

## Other KYP news:

1. The beloved Ioannis Alexakis continues to go to the service every day even though he is under transfer. For those who are interested: Alexakis is not going to use his annual leave, just as he has not done any year since he was assigned to KYP ("sense of pride" this man, huh?). In fact, there is the following anecdote about him which...is not an anecdote: Alexakis, "workaholic" that he was, used to go to KYP even on weekends. One weekend, however, he did not go. And he posted an official notice which said, word for word: "This weekend, Lieutenant Colonel Ioannis Alexakis will be away from the service." Such a thing!
2. Everything is progressing smoothly in KYP, so the requests for a transfer are constantly multiplying despite the change in the service's leadership. According to our information, thus far 16 requests have been submitted, all by employees who were appointed after 1984!
3. The reason invented to explain why Lieutenant Colonel Atsalakis did not become head of the Counterintelligence Directorate was that on the service list he was below (as junior) Lieutenant Colonel Bousios. So the latter took Alexakis' place and Atsalakis remained in the KYP Personnel Directorate....

4. The head of Papandreou's personal guard, Deputy Chief of Police Vasilis Keramas, has been assigned to KYP--specifically, to the Internal Security Department. But those in the know think that he was placed there to sugar the pill since he was removed from Andreas' guard, not simply transferred. There are many interpretations concerning the reasons for his removal but these do not concern us personally. The essence of it is: What happened happened after the trip to China and we would very much like to learn the details, but responsibly. A man who was so close to Andreas for years cannot be removed in secrecy--and cannot be disgraced (whether, we say whether, it is all right) with rumors, even..."green" rumors. So?

5. As we say elsewhere, the notorious bill on KYP will be discussed in the Chamber's summer session. The interest in this diversion will be enormous--you will see!

9247

CSO: 3521/206



## POLL: NONSOCIALIST GOVERNMENT BEST ABLE TO HANDLE PROBLEMS

## Nonsocialists See Increased Support

Oslo AFTENPOSTEN in Norwegian 19 Jul 86 p 3

[Article by Lars Hellberg]

[Text] The Labor Party no longer occupies a special position among the majority of voters who place social security and justice above all other issues. At the same time, those voters who place the greatest emphasis on the defense of Norway's freedom and are working for peace and disarmament prefer a nonsocialist government by a margin of 41 to 37 percent. This was indicated by a Gallup/NOI (Norwegian Opinion Institute) poll taken on behalf of AFTENPOSTEN.

The figures seem to indicate that the Labor Party, now in charge of the government, enjoys far less confidence than it did before the parliamentary elections last fall. At that time, health and social policies--particularly the long lines at hospitals--were a burden for the Willoch government. There was a strong belief that the Labor Party could solve these problems.

## Crisis Of Confidence

Today's opinion poll, which was taken in June, shows that there has been a dramatic change among voters since last summer. The crisis in confidence is seen most clearly in what the institute calls total points for the two governmental alternatives. This total is produced by multiplying the percentage that prioritizes each individual issue by the percentage within the same group that prefers the governmental alternative in question. Last year this total gave the Labor Party an advantage of 1,996 points, while this year the nonsocialists' total is 1,178 points higher than that of the Labor Party.

## Security

With regard to specific questions, there are more people this year (57 percent compared to 54 percent) who name social security and justice as one of the three most important areas. Last year this group preferred a Labor Party government by a margin of 51 to 34 percent. This year the Labor Party's advantage in this expanded group of voters was reduced to 45 percent, compared to 40 percent who supported the nonsocialists.



The declining support for the Labor Party is expressed even more clearly by the responses to a related question. The demand for a better healthcare system and shorter lines at the hospital was mentioned as one of the three top-priority areas by 56 percent of the respondents, compared to 53 percent last year. Within this group, 42 percent prefer a Labor Party government, while 41 percent believe that a nonsocialist government is preferable. In other words, the difference is hardly measurable, while last year the difference was 13 percent (48 percent, compared to 35 percent) in favor of the socialists.

A high priority was placed on care for the elderly and the handicapped by 33 percent of the respondents, compared to 37 percent last year. Within this group, 43 percent prefer a Labor Party government and 37 percent want a nonsocialist government. Last year the Labor Party, which was then in the opposition, enjoyed a 48 to 33 percent advantage.

#### Clear Advantage

When it comes to the governmental issue, the nonsocialist alternative is decidedly strongest among voters who are most concerned about price rises, lower taxes, and combatting bureaucracy. Fifty percent of the voters who are concerned about combatting bureaucracy and unnecessary restrictions believe these problems could be best solved by a nonsocialist government. The type of government we now have is supported by 28 percent of these voters.

Among those who believe it is extremely important to keep inflation down, 50 percent prefer a nonsocialist government, compared to 29 percent who favor the socialists. With regard to those who are concerned about lower taxes and fees, 49 percent prefer a nonsocialist government, compared to 28 percent who favor the socialists.

#### Education

In the light of the Harlem Brundtland government's stated goal of improving educational and job opportunities for young people, it is interesting to note that 41 percent of the voters who stress this issue would like to have a nonsocialist government, compared to 36 percent who favor a socialist government. Last year the advantage was reversed--44 to 35 percent in favor of the Labor Party.

There has also been a shift in favor of the nonsocialists when it comes to the defense of Norway's freedom and, thus, work for peace and disarmament.

At the same time last year 39 percent believed that our freedom was best defended by the Labor Party, compared to 38 percent for the nonsocialists. This year 41 percent of this group believe their cause is best served by a nonsocialist government, compared to 37 percent for the socialists.

The operation of Norway, Inc, a sound economy, and secure jobs was seen as one of the top three issues by 29 percent of the respondents. Within this group, as well, there is a majority of 45 to 35 percent who prefer a nonsocialist government. Last year the figures were 39 and 39 percent.

Issue:	Most Important			Preference:					
				Socialist Government			Nonsocialist Government		
	1984	1985	1986	1984	1985	1986	1984	1985	1986
				%	%	%	%	%	%
A Sosial trygghet og rettferdighet: .....	51	54	57	52	51	45	35	34	40
B Bekjempelse av byråkrati og unødvendige restriksjoner:...	11	11	14	34	32	28	44	44	50
C Drift av butikken A/S Norge, sunn økonomi og trygge arbeidsplasser: ..	28	25	29	41	39	33	40	39	45
D Forsvar av Norges frihet, arbeide for fred og nedrustning: .....	24	31	33	41	39	37	39	38	41
E Få ned prisstigningen: ..	30	19	20	36	34	29	44	42	50
F Få lavere skatter og avgifter: .....	22	21	18	35	32	28	45	45	49
G Bedre helsevesen — mindre sykehuskøer etc.: ..	49	53	56	52	48	42	34	35	41
H Omsorg for eldre og handicappede: .....	35	37	33	50	48	43	33	33	37
I Bedre muligheter for de unge til utdannelse og arbeide: .....	36	36	26	48	44	36	33	35	41
J Arbeide for økt u-hjelp:...	2	4	4	42	41	40	33	32	35

The table clearly shows a dramatic shift in favor of the nonsocialists.

Key:

- A Social security and justice
- B Combatting bureaucracy and unnecessary restrictions
- C Operation of Norway, Inc, a sound economy, and secure jobs
- D Defense of Norway's freedom, work for peace and disarmament
- E Keeping prices down
- F Lower taxes and fees
- G Better healthcare, shorter lines at the hospital, etc.
- H Care for the elderly and the handicapped
- I Better educational and job opportunities for the young
- J Work for more aid to developing countries

## Labor Party Decline

Of course, the figures must be seen on the background of a general decline in support for the Labor Party since the change in government. The present poll indicates that the decline may be greater than previously reflected in other surveys. The figures also indicate that, in the light of a brief experience with socialist rule, a large number of voters have changed their opinion concerning what the parties stand for and, especially, what they are capable of doing.

We must point out that there may be statistical errors in the material. The percentage of respondents who indicated that they had voted for the Labor Party was smaller than the percentage that party received in 1985. The opposite applies to the Conservative Party. Among the 1,000 people who were questioned, there were more who indicated that they would now vote for the Conservative, the Socialist Left Party, the Progressive Party, the Communist Party, and the Liberal Party than actually voted for these parties in 1985. On the other hand, there were fewer people in the sampling who said they would vote for the Labor Party, the Liberal People's Party, the Christian People's Party, and the Center Party than the percentage who voted for these parties last year.

The institute has made no careful calculations of the standard deviation in this survey. There can be no doubt, however, that the Gallup/NOI poll shows that the change in government has created some movement among significant groups of voters. The preferences expressed in the choice between the two available governmental alternatives confirm the shift in relative party strength that can be seen for some time now in the monthly surveys taken by these same institutes. Thus, a major portion of the shift in favor of the Conservative Party in the poll we are presenting today has been documented in other surveys, as well.

### Conservative Newspaper on Poll

Oslo AFTENPOSTEN in Norwegian 19 Jun 86 p 2

[Editorial: "Shattered Expectations"]

[Text] The great majority of Norwegian voters no longer perceive a Labor Party government as synonymous with social security and justice. This was indicated with convincing clarity by an opinion poll from Gallup/NOI/AFTENPOSTEN, which is presented in today's paper. With regard to the governmental alternative preferred by various groups of voters, there has been a dramatic change in favor of the nonsocialists since last fall.

The Harlem Brundtland government has already become a government of shattered expectations. No one can doubt that healthcare and social policy was the Labor Party's trump card in last year's election campaign. A similar poll taken at the same time last year showed that the great majority of those who placed social security and justice above all else also preferred a Labor Party government. Large groups of voters blamed the Willoch government for the long lines at hospitals and other healthcare problems.

On the other hand, they believed the promises of the opposition party, which were used on that occasion to guarantee voter support. Today, the situation is clearly different. As the ruling party, the Labor Party has been hit with a credibility crisis. There should be no doubt that the party has brought this crisis on itself. [Omission] that large groups of voters seem prepared to conclude that the party is incapable of meeting the expectations the party itself has created.

The opinion poll shows that Norwegian voters are shifting in numbers seldom seen in our part of the world. The Labor Party has lost support over the entire range of issues that are considered most important. We are the first to admit that the economic situation is extremely difficult and that this is a contributing factor to the dramatic change. But when the government complains that most people have failed to understand the seriousness of the situation, it should be added in all fairness that, while in the opposition, they themselves were as active as they could be in raising unrealistic expectations.

The disappointment expressed in today's survey is a healthy sign. But the nonsocialist parties should not be overjoyed now that the governmental party is "frying in its own fat," as they like to say in their more frivolous moments. After all, the figures also say that it is high time that the three former coalition parties created a joint strategy for a change in government in the near future and for the policies that would be carried out by a future nonsocialist government. A majority of the voters are calling for a credible nonsocialist alternative--and they must get one.

9336

CSO: 3639/136

## FORTHCOMING CERTAINTY OF NEED FOR EARLY ELECTIONS

Lisbon TEMPO in Portuguese 25 Jul 86 p 2

[Editorial by Nuno Rocha]

[Text] Last Saturday O SEMANARIO, through the pen of Edgar Andrade, pseudonym of Marcel Rebelo de Sousa, announced a retreat for Cavaco Silva with regard to occurrence of the next elections. The same day EXPRESSO said exactly the opposite: Cavaco Silva would continue to pursue his strategy of rupture in the short term. Edgar Andrade's intentions in wanting to project the notion of a premature defeat for Cavaco Silva are unknown. The most simple analysis of the Portuguese situation does not lead one to doubt in the strength of Cavaco Silva's political reasoning. The current prime minister has already shown without a doubt that he knows how to master his circumstances. His objectives are not unknown: He wishes to mold the country to conform to his own idea. To achieve this, he will unfortunately have to ask the Portuguese to vote again shortly. At 40-odd years of age, a politician like Cavaco Silva does not resign himself to simply wait for whatever may come. His hurry to achieve is entirely in accordance with his temperament. If one follows his trajectory attentively, from his affiliation with the PSD to his passage through the Ministry of Finance with Sa Carneiro, to his refusal to participate in the Balsemao government, to his election to party leader at Figueira da Foz, Edgar Andrade's notion can be shown to have never been correct. Cavaco Silva does not retreat, he does not suffer defeats and, to the contrary, has had his "timing" well planned since the first days of the government. Not being a political opportunist, the prime minister recognized early on that a minority government cannot pursue a program on a national scale. Within the party, Cavaco Silva has won all the battles. If he wishes, the PSD will govern the country until the closing of the legislature. No one can prevent it, nor would dare to do so. Vitor Constancio himself has already declared in the PS that he will not attempt early elections. That reasoning is logical. What the opposition is trying to do is let time pass, supposing that the government will become weaker. The decline of power that is classic in politics is spoken of openly. In Spain, the powerful Felipe Gonzalez inevitably lost some deputies in the most recent elections. The case of Cavaco Silva, in Portugal, is seen in a different light. The prime minister sees his popularity, and that of the government he heads, growing daily. Whether one likes it or not, that is the way it is. What Edgar Andrade, in SEMANARIO, meant is that Cavaco Silva has resolved to take advantage of summer to pursue his strategy of rupture. It



was for that reason that he resolved to present the agriculture and labor packages, and even the package dealing with Internal Security, to Parliament.

The great political question revolves around this idea: Cavaco wants to show beyond a shadow of a doubt that he wishes to govern, and Parliament will not let him do so. He does not dispute the legitimacy of the National Assembly and, therefore, they submit all the necessary laws to him. What he disputes is the Assembly's partisanship and it is that which he wants to demonstrate to the Portuguese before October. As a result, it can be said: It was not SEMANARIO that was correct last Saturday, but rather EXPRESSO. Cavaco Silva is pursuing, in fact, his strategy of rupture. Without elections and without a majority Cavaco will not apply the program of the government and of the PSD. And, more serious than that, without a majority there will not occur the next constitutional revision which the country so urgently needs and which the nation requires with the whole depth of its consciousness.

Cavaco Silva has a difficult battle to wage. That of investment. He knows, and the country knows as well, that without investment there will be no decrease in unemployment and that with unemployment the country will have no social peace. With unemployment the Communist party, that great enemy of an great impediment to investment, will advance its program. The Communist Party is legitimate according to the Portuguese Constitution, and the only way to fight it is to increase employment and family income. How is one to achieve those goals, if the National Assembly prevents the government from applying essential measures, such as the labor package and agricultural reform, not to mention internal security, which is also important? The only way for the nation to recover is to have a majority in the Assembly. The country will hand over the government to only one of its great parties and will wait 4 years. During that time, all the necessary reforms will take place. In that way Sweden and West Germany recovered. Spain itself is achieving reforms and progress, because Felipe Gonzalez has governed with the PSOE for 4 years and will govern another four. In Sweden Olaf Palme, with the Social Democratic Party, transformed his country during 20 years of governing. Stability is fundamental for the application of a political program. Cavaco Silva and his government know that it is so. And he would not be consistent with himself if he did not seek that opportunity for the country. He must save the country from an impasse which could be fatal to it. The system, such as it is now, is inoperable and paralyzing, and it threatens the nation's future. The inevitable quarrels between private banks and state banks have already begun. To protect the state banks, the government has had to limit the expansion of the private banks. Could the government have acted otherwise? No, because the system does not allow it. What responsible government could contribute to the closing of the public banks? That decision can only be taken after the constitutional revision has been accomplished and the irreversibility of the nationalizations has been terminated. Then the public banks will be able to be sold to private enterprise and the system will be corrected. The private banks are now able to experience the injustice that the private press has suffered for the last 10 years. While state newspapers, radio and television receive more than 18 billion escudos, private newspapers have received nothing apart from the subsidies on paper, which the state newspapers have also received.



At this time, the only coherent majority is that which results from the PSD government. Cavaco Silva, as well as his government, inspires confidence in the nation. We should do everything possible for the PSD to win a majority in the next elections, so as to rebuild the system in which we have been living and which is responsible for the endemic crisis in which the nation is wallowing. We have no illusions. The difficulties are innumerable and investment will not recover, as a result of which unemployment will persist or even increase. Only if elections take place before the end of the year, or at the very latest, next April, can the national catastrophe be prevented from worsening. Cavaco Silva is thinking precisely this. And because of this, all his actions must be seen from this angle. The prime minister will continue during the summer to try to govern, and at the beginning of the legislative session will present a demanding budget. The Assembly will continue to try to insult the government, to bloody its nose. Cavaco has no illusions about the PRD, contrary to what Edgar Andrade wrote in SEMANARIO. The PRD does not inspire any confidence in Cavaco Silva. He is aware of the different factors of which it is composed. Nor does he have any hopes that General Eanes will come to dominate his party. Cavaco Silva believes in Eanes but he does not believe in his party. It does not offer him any valid alternative. The proof is there. The PRD has shown itself to be a constant disappointment for the prime minister. To be worthy of the confidence in which the Portuguese hold him, Cavaco Silva must inevitably call new elections. In October the Portuguese will agree with him. Summer, meanwhile, will be spent by Cavaco Silva and his government in demonstrating that the country must consider, from now on, the strategy of early elections.

13026/12795

CSO: 3542/135

**PRD SEEN INACTIVE, WAITING FOR EANES**

Lisbon O JORNAL in Portuguese 25 Jul 86 p 11

[Article by Rogerio Rodrigues]

[Excerpts] To all the questions posed to the members of the renewal faction today there is a single answer. They are waiting until General Eanes arrives in the fall.

And the general is there, above all suspicion. Playing his role, and even with unanimous support, in the fate and future of the renewal faction. But General Eanes, while there, really isn't there yet, because he is not the leader (formally) or a member (registered).

General Eanes is like Godot. That is the excuse today.

And therefore, with the Assembly of the Republic session ending today, the PRD will seek to push its birth date to the 18 October limit (the day on which the second convention begins), when paternity will finally be formalized with the political registration of Portuguese society.

But what does the PRD want, in view of these 365 days of existence?

**Coexistence of Two Worlds**

It wants the coexistence of two electoral worlds, the rural and the urban--a world made up of politically informed, intellectually interested, socially active and economically comfortable voters. In other words, the PRD is attempting on the one hand to create the space for a merger of the Social Democratic and socialist electorate (or more accurately, the PSD and the PS). And on the other, it wants to maintain the nostalgia for April (MFA in civilian life or in the reserve), along with a more conservative concept of politics (a kind of pragmatism which seeks improvement not through an ideology but through a systematization of ideas).

However, the practice of coexistence is difficult for the members of the renewal faction. While Eanes is a rural man whose values are profoundly cultural, values which will be realized over a rather lengthy period, many of

the renewal deputies, on the contrary, are more provincial than rural and are seeking at all costs to achieve an urban practice.

Not infrequently, the parliamentary fascination has made it more difficult to plot out a strategy. Often abstention has been what justice has been represented as being--blind. But it is all because Eanes-Godot has not yet arrived. And, recognizing all that is due him, Eanes does not merit the submission the PRD shows toward him.

And as to strategy? It will be defined when Eanes takes up the responsibilities which are his. What about leadership, executive, overall and sectorial bodies? Eanes will have to be consulted. What about disputes? There is no disagreement about Eanes, because he is the foundation of the PRD, its meaning and its importance. Herminio is Mercury, and the deputies are the courtiers.

#### Future Prognosis

What will the future of the PRD be after the convention? What will its strategy be after Vitor Constancio has assumed leadership of the PS?

The future depends on the one hand on what Eanes will do, while on the other, it cannot be separated from the actions of Vitor Constancio.

Increasingly, the space available to the renewal faction is dwindling, and the polls published recently point to a leftist electoral choice for leadership, but with a practice farther to the right.

This will be one of the problems which the PRD will necessarily have to consider at its convention, from which will emerge the strategy defining its conduct toward the government to which it granted a moratorium which will end in autumn.

For the present, one thing is certain. Cavaco, by issuing an invitation to Ramalho Eanes after making an identical gesture toward Adriano Moreira, clearly recognized the fact that for the government, the old president of the republic is already the true leader of the renewal faction.

It remains to be seen, then, if the strategy of Eanes, who has been given the advantage of a certain allure by Cavaco, will be the strategy of the PRD, which has served the purposes of the minority government in the parliament, in the name of stability, although in recent days (specifically in yesterday's speech by Herminio Martinho in the Assembly of the Republic), it has been made clear that the days of the "abstention benefit" are numbered.

5157

CSO:3542/136

## PCP: CONSTRUCTIVE, DESTRUCTIVE ASPECTS DISCUSSED

Lisbon TEMPO in Portuguese 25 Jul 86 p 6

[Text] Certain parliamentary victories, when their formally expressed points of view coincide with the objectives of other political forces, as occurred this week with the government's attempts to regulate the Public Security Police and even the agricultural legislation proposals, sometimes permit the idea that two Communist Parties exist: one, of a democratic nature that openly accepts the game rules in the constitutional system and heatedly debates in the Assembly of the Republic in defence of its ideas, sometimes winning, sometimes losing, without losing its composure and its place in the societal model that was at the roots of the 25th of April; the other, that of social agitation, strikes and demonstrations, of systematic protest, habits from which it never strayed even when the administrations have been ideologically close to it, although in those phases it engaged in such activities in obedience to its strategic orientation.

One must recognize in the former the merit of its utility, especially as a permanent budgetary factor, itself also an element in the evaluation of legislative activity, which has enabled Carlos Brito, leader of the Communist delegation, to state in a press conference that a healthy response to governmental practices and a more efficient exercise of the duties of the National Assembly had become possible. And on this very subject, the same leader guaranteed that his party would act with all its energy to ensure the rejection of proposals he considers a threat to democracy and to the interests of the people, which is legitimate and correct behavior in the current institutional framework, capable of consolidating the credit of sympathy the PCP enjoyed in a certain phase (the first) of the transformation process begun in 1974, if the legislative component did not constitute merely a high priority front in a struggle in which a certain image is involved, and of softening the effects of other, more aggressive actions perpetrated from within the sphere of mass movements.

The Assembly is thus undeniably taking the path of accepting the fact that the PCP, to harass the government, has at its disposal the ratification of documents, calls for investigations, interrogations, and all the acts that are allowed it within the sphere of prerogatives recognized as accruing to it as a legally organized political force. And at the Assembly's approval of this situation, the party announced its intention to propose an investigation of

the process of judging the digital centers, also preparing itself to move forward with an improvement of prison conditions, which the Commission on Constitutional Affairs will probably turn into reality next September, through the visit of deputies of various detention centers.

The PCP's contradictory nature in legislative affairs is clearly seen here: collaborator, proposing solutions that, although arguable, take into account the philosophy of those who formed them, as was shown in the second of the above mentioned actions. Critical, and more than that, attempting to be devastating with respect to behavior, suspicious in its outlook, of being accused of illegality.

The connecting thread of the PCP's teleological strategy is also clearly seen in this whole process, whether it involves legislative affairs or crosses into other areas: The Communists have made the toppling of the government their highest priority, and to achieve it have mobilized all available resources.

In effect, the party is emphasizing the struggle that has not weakened even with the lack of impact of some of its initiatives, namely with respect to the outbreak of strikes in the transportation sector, where the population is most sensitive because of the inconveniences it must suffer. The stoppages are, overall, a two-edged sword. And although we do not have the facts to allow us to draw exact conclusions, it is not difficult to accept the fact that the strikes which were called have been particularly damaging to the PCP, discrediting an image it wanted to maintain. As a result, the PCP has become more prudent and has opted for sectoral actions of more limited effect.

On the other hand, individual campaigns, such as the one directed against Sa Carneiro, have also been waged. Sectors of the mass media sympathetic to the party now denounce, with certain regularity, behavior apparently seen as illicit or less than correct, in a clear attempt on behalf of the communists to discredit the target politicians, a coordinated action that is combined with renewed appeals to other political organizations for an alliance capable of creating the political conditions necessary for achieving their main objective: the fall of the cabinet of Cavaco Silva, in which, according to public statements of party leaders from other sides of the spectrum, only the PCP is interested, in its vision of the near future.

Indifferent to this alienation, the party continues along the road it has chosen. And if the government falls before the end of the legislative session, whether by its own decision or because of legislative action, the communists will always be willing to pick up the loose political reins and renew the process of toppling the new administration that will be formed, because it will naturally be far removed from the social system proposed by the PCP.

13026/12795  
CSO: 3542/135



## BRIEFS

NEW PRD PARLIAMENTARY LEADERSHIP--Magalhaes Mota, who is regarded by the journalists who regularly cover the work of the Assembly of the Republic as the best parliamentarian in the legislative session now ending, has been reelected leader of the PRD Parliamentary Group, while Jose Carlos de Vasconcelos was confirmed as vice president. The departure of Roberto do Amaral as vice president of the group, for reasons said to be personal, should, however, be noted. He has been replaced by Bartolo da Paiva Campos, who is known in educational circles and who served as secretary of state under the Sixth Provisional Government in the pedagogical orientation sector. The secretariat of the group, which until yesterday included Cristina Albuquerque and Carlos Ganopa, was also replaced. This new parliamentary leadership, we are assured, had the approval of Eanes, whose links with the party are increasingly visible, to the point that the first meetings of the Second Convention Organization Commission (COC), which were held on Tuesday and Thursday, were already being coordinated by the future leader of the PRD. [Excerpt] [Lisbon O JORNAL in Portuguese 25 Jul 86 p 2] 5157

PORTUGUESE EDITION OF USSR MAGAZINE--The Soviet Union has launched a "SPUTNIK" in Portugal, which has already entered orbit on the distribution lists of the Novosti agency. The magazine, since obviously we are not referring to a satellite, but rather to an official publication edited in several languages, is now also published in a Portuguese edition, a fact that was commemorated yesterday with a reception in the gardens of the Lisbon delegation of the Government Press of Moscow. [Text] [Lisbon TEMPO in Portuguese 25 Jul 86 p 5] 13026/12795

CSO: 3542/135



## INFLUENCE OF PARLIAMENTARIANS UNION ON POLICY-MAKING EXPLAINED

Istanbul MILLIYET in Turkish 23 Jun 86 p 8

[Article by Turkish Parliamentarians Union Vice President Sinasi Ozdenoglu: "What Is Turkish Parliamentarians Union"]

[Text] The Turkish Parliamentarians Union [TPU] was formed in Ankara on 22 June 1976, under the name "Former Parliamentarians Association," for the purpose of fostering the loyalty and friendship so often lacking in politics and ensuring solidarity among its members.

However, thinking that politicians may grow old ["old" and "former" are the same word in Turkish] but still produce ideas and, therefore, not be old and that former politicians may be reelected and, therefore, be new and, finally, since we were not getting much sympathy with the word "old/former," we changed the name of our association 1 year after it was formed to the "Turkish Parliamentarians Union."

Parliamentarians who had once been elected from various parties to take on important tasks have come together and, by accepting active national deputies as members as well, serve as a more meaningful symbol of political friendship and tolerance. So, it may be said for this reason that the Turkish Parliamentarians Union is the first important organization, the first serious step, in realization of the "political dialogue" which has been so long desired in our country.

Our union, now celebrating its tenth anniversary, has gained undeniable value and influence in Turkey's social and political life today with the potential that a large fund of information, know-how and experience represent.

## Duties

The purpose of our union, as set forth in article 2 of the charter is: "To ensure mental, moral and material solidarity socially, economically and culturally among parliamentarians who have served and are serving in the Turkish Grand National Assembly and legislative assemblies in various periods."

Nevertheless, the union has taken on new functions over time and it is seen that the TPU has both gained an important presence in the country's democratic life and has been able to take on constructive tasks in foreign relations by way of intellectual contacts.

What are these tasks and areas of influence?

The results of our 10 years of endeavors are these:

Our union, in addition to the efforts that material and moral solidarity among its members requires, has duties and impacts in four different important areas:

--The TUP has 1,300 members with different political and social views and, as such, has a duty to contribute constructively to political dialogue throughout Turkey and, as a result, to political and social peace. So, in an intensive or on-going government or parliamentary crisis, our union may be thought of as a large politically impartial organization which can perform the role of "mediator" and make contributions to solutions by means of proposals.

--It is also a duty of our union, in matters of domestic and foreign policies, which appear on the agenda of the Turkish democracy and parliament and in which public debate is deemed useful, to express views, make comments and present proposals on important bills and proposals.

--Also among the things in which our union can be effective are to explain Turkey's national foreign policy to the world by maintaining intellectual relations with similar organizations in foreign countries and to assist in the formation of "lobbies" or support existing lobbies which can defend these policies.

--And, finally, another important goal of the TUP is to encourage youth through competitions and awards which will make it possible for them to think about and produce ideas on the problems of Turkey and the world and to provide material support to competent students needing assistance.

The monthly journal PARLAMENTO is the voice of our union, informing the public of our endeavors. Those who have read PARLAMENTO must attest to the need for it to be first of all a journal oriented to the internal problems and daily affairs of a specific organization. Giving this tolerance its due, we are proud to say that interesting commentaries tempered by years of experience may be found in our journal.

The pages of PARLAMENTO, which strives for better quality with each issue, are open to all articles which do not digress to personal polemics and political party messages and especially to informative and objective works.

Will Union Engage in Politics

Union administrators have many times addressed the following question: "Since it is composed of politicians, will the union engage in politics?"

On first glance at the bylaws, it does not seem possible to say "yes."

When we take politics in the sense of "party-ism" or to mean disseminating, defending and supporting the views of a specific political party. the union is banned from engaging in politics. However -- as pointed out above also -- the TPU, which can open scientific debate and produce ideas on national issues, certainly will be able to criticize various policies, views and practices and to propose solutions without getting involved with the parties and their programs.

Actually, since our union is mainly composed of "politicians who are tired of politics," we do not think anyone is going to be nitpicking about this. Nevertheless, we must not forget that the TPU was formed for the purpose of putting an end to the political hostility that is still "sweeter than honey" to some active politicians.

#### Contribution to Democracy

The TPU has certainly had a "growth spurt" in the past 2 years. We formed branches in Istanbul and Izmir.

During this period, the union has proved its effectiveness in many ways from the elimination of the obvious injustice in parliamentary retirement pensions to the establishment of friendly relations with similar organizations in foreign countries, from the symposiums and panels where constructive proposals were offered on Turkey's most pressing foreign policy problems to the competitions launched among university youth. It has striven to be worthy of our country and our valuable members.

We believe that the TPU, whose philosophy is that Turkish democracy will gain strength and continuity through a constructive dialogue, firm friendship and a rational "consensus," will gain success and prestige as our democracy gains strength and prestige.

8349

CSO: 3554/138

## FOREIGN WORKER INFORMATION CENTER ESTABLISHED

Madrid EL PAIS in Spanish 16 Jun 86 p 57

[Article by Elena Lorente]

[Text] Barcelona--Their bodies brush against the carnations as they bend over them in the fields of the Maresme area. At other times they move at night among the garbage piles of Baix Llobregat. Beneath the non-market economy, the labor of African workers in Spain goes on there, where even unemployed Spaniards cannot understand that an hour of hard labor in the sun is worth less than a modest 160 pesetas.

Gambians, Moroccans, and many other Third World immigrants who have come to Spain in the past 10 years do not consider themselves responsible for unemployment in our country. They want labor equality, but they are also disappointed over what they consider an outbreak of Spanish style xenophobia: the law on the residence status of foreigners [Ley de Extranjeria], against which the Office of the Public Defender has instituted legal action, claiming that it is unconstitutional.

Sulayman Sanyang, 37 years old, born in Gambia, is considered one of the principal leaders of the struggle carried on by the more than 5,000 African agricultural workers over the past few years in the Maresme area (Barcelona). The struggle is aimed at legalizing their status and improving the conditions of semi-slavery under which they live. This man, on whose lips a bright smile shows out of his dark and childlike face and whom some people call "The Communist Black Man" [el negro rojo], is one of the founders of the Information Center for Foreign Workers (CITE), together with Soliman Elmorabet, a 36 year old Moroccan who uses the name Ismael in his work among African laborers.

This organization, which is the first of its kind in Spain, has offices in the headquarters of the National Workers Commission of Catalonia. It claims it is fighting for the legalization of the residence status of thousands of foreign nationals who have been working for years under very difficult conditions. The promulgation of the law on the residence status of foreigners caused deep concern among foreign workers, because the majority of them lack a residence permit, and their labor contracts have been entered into clandestinely, in most cases.

The vicious circle affecting so-called "illegal labor" forces African workers to accept long days of work, low salaries, living in ghettos, and poor food. When they appeal to the courts, the latter recognize that they are being treated in violation of the law. However, the courts also consider their work contracts as being null and void because they are guilty of violating the legal requirement to have a work permit. The nightmare of deportation is a part of this conflict. Sulayman has been fighting against these problems for the past few years and has even achieved legalized status for a large number of the African workers in the Maresme area. A similar solution has just been adopted in the Baix Llobregat area for the large number of Moroccans in that region.

Sulayman said: "My name is like a nightmare for the employers in the countryside. However, now things are beginning to change because at times it is the employers themselves who seek me out, whereas previously I had to go away out in the countryside to resolve a problem which came up involving one of our members." Sulayman's country, Gambia, is not just a memory, although he has lived in Mataro since 1971, is married to a Spanish woman who is the mother of his three children, and has worked for a metallurgical firm for several years.

It surprises Sulayman when he turns down food. (He said: "I can't drink coffee or even eat. During Ramadan I am prohibited from eating or drinking during the day. And the fact is that I am not a fanatic Muslim. However, it is a healthy thing for the body, and we have done things this way for all of our lives.")

Like Sulayman, about 80 percent of the Gambians living in the Maresme area are Muslims. In this area reside some 3,500 agricultural day laborers from Gambia and neighboring countries. In 1982, according to a census carried out by the Civil Government of Barcelona, there were 2,500 African workers in the area. Nevertheless, Sulayman thinks that some of them were not registered by that census out of fear of deportation and that, at that time, the people affected by conditions of semi-slavery, which were even harsher then, totaled no less than 5,000.

He said: "Our whole movement can be understood on the basis of a simple examination of the living and working conditions suffered by my associates. Although things are better now, we cannot forget that many people are still sleeping in shacks. Just for example, I can remember that four young blacks died of asphyxiation from a coal stove in a shack in Sant Pol de Mar. We have had many deaths for various reasons, but all of them affected people who were worn out, poorly nourished, and leading sad lives."

#### Below the Level in the Agreement

The majority of the farm workers from Gambia who work in the Maresme area presently receive salaries of about 160 pesetas an hour, although the labor agreement sets out a minimum of 237 pesetas. They live a collective life. In accordance with their traditions, they eat low cost food--African rice, peanuts, and sauce. They are peaceful and save money which they send to their families when they can.



By 1978 Sulayman was already known to the farm owners in the Maresme area as a union leader of the communist Workers Committees [CC OO] in the countryside. He said: "I love the land, and that is why I was there, when we negotiated the first collective bargaining agreements in the countryside. We realized that it was necessary to set up an organization to give form to this movement in defense of the rights of the blacks." Against this background, solidarity among the African workers was only natural. (He said: "I think that if I have legal status and my companions do not have it, I am also an illegal and I work to solve this matter and to be able to rest some day.")

His calm words took on more strength when he stated: "We want to have the same status as the rest of the workers because we foreigners are not responsible for unemployment in Spain. That kind of argument leads to outbreaks of xenophobia."

5170

CSO: 3548/64



## SURVEY REVEALS SUPPORT FOR EEC

Istanbul MILLIYET in Turkish 26 Jun 86 pp 1,14

[Lead article in news section: "Yes to Common Market"; table one converted from pie graph to list; author of boxed item as shown]

[Text] Giant Survey Conducted Nationwide by MILLIYET/SIAR

In cooperation with SIAR, we conducted a survey similar to the one we had the Gallup-affiliate Dimarso conduct in 10 European countries.

The second step of the public opinion poll on Turkey's membership in the European Economic Community was conducted by MILLIYET and SIAR [Social and Economic Research Center]. According to the poll results, 51 percent of the Turkish public wants Turkey in the EEC.

The question, this time asked Turkish citizens, was the same as the one asked in the public opinion poll taken in 10 EEC member nations by MILLIYET/Gallup-Dimarso: "Suppose Turkey applied for membership in the EEC. What would be your opinion on this?" Of the more than half in favor, 10.4 percent said they "strongly agree." Respondents who merely "agree" are 41.1 percent.

This result shows that the Turkish public is "reserved" after all in its desire for EEC membership and that those who want membership immediately, tomorrow, at any cost are not in the majority.

Those who had no opinion or were indifferent to Turkish membership in the EEC were close on both fronts. The percentage of those who were indifferent or did not know anything about it was 38.5 percent among Turks and 49 percent among Europeans. The numerical superiority of this group without preconceived ideas in Europe will increase Turkey's chances of support if it applies for membership. The equivalent group in Turkey may go either for or against depending on government policy and the EEC attitude.

In Turkey as in Europe, the number in favor of joining the EEC may be said to increase in direct proportion to the level of education. Although socioeconomic group was the criterion in the Turkish survey instead of educational level, it is impossible to say that there is no link between the two. The average rate of Europeans favoring Turkish membership was 22 percent, rising to 31 percent among those with higher education.

In Turkey, 81 percent of those most in favor of joining the EEC were in the group with household income of over 250,000 a month, considered upper middle class socioeconomically. As the income level declines, so does support for EEC membership. The rate of support for EEC membership among those with household income below 100,000 liras a month drops from 81 percent to 48 percent.

The survey figures also show a difference by region. The largest group of those in favor come from the cities, the big-three triangle of Ankara, Istanbul and Izmir.

Twenty-four percent of the Turkish public had no opinion on EEC membership. This group was 16 percent in Europe. Thus, it is possible to say that Europeans have more information on Turkish membership than Turks.

In Turkey as in Europe, far more men than women support EEC membership, with 60 percent of Turkish men favoring joining the EEC as opposed to 41 percent of women. Since women tend to have less education than men, the link between survey results and educational level is borne out once more.

Question: Do you want Turkey to join the EEC?

Strongly agree	10.4 %
Agree	41.1 %
Indifferent	14.5 %
Oppose	8.7 %
Strongly oppose	1.3 %
No information/no answer	24.0 %

#### Structure of Survey Participants

	Sex			Age				
	General	Men	Women	15-24	25-34	35-44	45-54	55+
Strongly agree	10.4	13.1	7.6	11.3	10.0	8.9	8.8	11.9
Agree	41.1	47.7	34.6	40.2	45.8	38.3	43.1	36.5
Indifferent	14.5	14.3	14.7	16.6	15.5	12.1	13.8	10.2
Oppose	8.7	10.9	6.6	11.5	8.2	9.8	5.0	4.5
Strongly oppose	1.3	1.7	.9	1.8	.6	1.9	.6	1.1
No information/ no answer	24.0	12.3	35.6	18.6	19.9	29.0	28.7	35.8

	Socioeconomic Group (2)					Regions (1)		
	A	B	C1	C2	DE	1	2	3
Strongly agree	16.1	6.4	10.3	11.4	8.8	10.0	14.4	6.7
Agree	64.5	53.1	46.2	37.7	30.5	47.1	34.3	41.6
Indifferent	6.5	13.9	16.6	14.6	14.6	12.0	14.6	17.1
Oppose	4.8	12.1	5.9	9.2	8.8	10.4	6.4	9.1
Strongly oppose	-	1.2	.4	1.8	1.3	1.2	2.4	.2
No information/ no answer	8.1	13.3	20.6	25.3	36.0	19.3	27.9	25.3

(1) Regions

1. Region: Istanbul, Izmir, Ankara
2. Region: Zonguldak, Adana, Bursa, Konya, Kayseri
3. Region: Gaziantep, Samsun, Erzurum, Antalya, Edirne, Diyarbakir

(2) Socioeconomic Group

Monthly Household Income	
A. Upper middle class	+250,000
B. Middle class	+200-250,000
C1. Lower middle class	+150-200,000
C2. Skilled workers	+100-150,000
DE. Unskilled workers, low income	+100,000 and below

[Boxed item]

**Ankara Agreement and Full Membership**

The third paragraph of the introduction of the Ankara Agreement signed on 12 September 1963 states that "[they] agree that the support which the EEC will provide in the Turkish people's efforts to improve their standard of living will facilitate Turkey's joining the community in the future."

The second article of the agreement states that association consists of three stages which are described as first stage "preparation," second stage "transition" and third stage "final period."

Duration of the "preparation" period is set as 5 years. This period should have ended in 1968 under the terms of the agreement. However, the joint protocol for the transition period could not be signed until 1970 because of certain economic problems. It went into effect on 1 Jun 1973 and, thus, the preparatory stage was completed only after 9 years.

The "transition period" is supposed to last for 12 years, with certain exceptions, according to the Ankara Agreement.

However, the "customs union" in the joint protocol covers a 22-year period. That is, the transition period has been extended to 1995 in practice since the "preparation period" was delayed.

The "final period," according to the Ankara Agreement, is the period in which the customs union is put in place and economic policies begin to operate in fully coordinated fashion, and it seems possible that Turkey could apply for full membership here. In fact, article 28 of the Ankara Agreement sets forth quite clearly the following provision for full membership:

"Article 28: When progress on the agreement shows that all of the obligations arising from the agreement establishing the community can be borne by Turkey, the signatories shall examine the possibility of Turkey's joining the community."

Therefore, if Turkey applies in the belief that it is ready to assume all of these obligations, it seems almost impossible for the EEC to reject the application. However, it is possible for the EEC to postpone examination of the

membership application. Because it was specified in the Ankara Agreement that the transition period could not exceed 12 years, with certain exceptions, Turkey became legally eligible to apply for full membership in 1985.

A new negotiation process will be launched the moment Turkey applies for full membership. However, the existing agreement and joint protocols will remain in effect until a new agreement is reached. The conditions and terms for full integration of the Turkish economy into the EEC will be specified at the conclusion of talks that would be held between the EEC Commission and Turkey. These would be set out in a separate protocol. The best estimate is that Turkey would have an adjustment period equal to those given Portugal and Spain. These two countries expect to wait approximately 10 years for full membership.

[Boxed item]

Zeynep Gogus: "Ozal's Job is Easy"

If a referendum were to be held in Turkey today on whether to join the EEC, it is possible to predict what the results would be from the MILLIYET/SIAR survey. Since 51 percent of public opinion supported Turkey's joining the EEC, no greater pressure on Prime Minister Ozal could come from this area.

More citizens than voted for Ozal in the 1983 elections want Turkey to join the EEC today. The survey conducted in EEC nations by Gallup-Dimarso also showed that European public opinion is not opposed to Turkish membership. Since there is no pressure opposing Turkish membership on either the EEC governments or Ankara, everything depends on the preferences of the political administrations.

No one knows when Prime Minister Ozal will carry out the promise he has been making for 3 years that "we will apply for EEC membership." We know there is no legal obstacle to Ankara's applying for membership under the agreements in effect between Turkey and the EEC. Nevertheless, since an adjustment period of at least 10 years after the date of application may be required for the transition to full membership, a government that has expressed its political preference would be expected to act immediately if public support existed.

Otherwise, some people may be led to wonder why the Ozal government did not act on its political preference as regards Europe. Since the staffing preparations needed to join the EEC have not yet begun in Ankara, it is not easy at this stage to form a definite opinion as to the government's true intent.

8349

CSO: 3554/125

## DIW REPORT: EXPORT COMPETITIVENESS IN THIRD WORLD MARKET

Berlin DIW WOCHENBERICHT in German 5 Jun 86 pp 283-289

[Article by Dieter Schumacher: "Market Position of FRG in Developing Countries Capable of Expansion"]

[Text] The developing countries purchase a little over 60 percent of their goods imports from Western industrial countries. The FRG has an approximate share of 12 percent in these deliveries. This is the equivalent of 21 percent of total FRG goods exports.

The following analysis of the competitive position of German enterprises compared to suppliers from other large industrial countries shows that, for one, German exports to developing countries overlap most with those of Italy and Great Britain. It also points up that the structure of demand, and distance, are essential determining factors for the success of the German export industry, which varies according to sales regions. (Footnote 1) (The report is based on partial results of a research project by DIW and the St. Andrews University on the connections between development aid, exports and employment, which is supported by the Anglo-German Foundation for the Study of Industrial Society, and aims at a comparison of the FRG with Great Britain. In the course of the year, the study for the FRG will be published by DIW under the title of "Entwicklungshilfe, Ausfuhr und Beschaeftigung—Eine empirische Untersuchung aus der Sicht der Bundesrepublik Deutschland" [Development Aid, Export and Employment—an Empirical Study from the viewpoint of the FRG]. The concentration of goods in demand in developing countries offers advantageous starting points for German industry; it will have to make greater efforts, however, to find better solutions for the problems arising from the distance of those markets.

The developing countries are important clients of Western industrial countries. (Footnote 2) (Western industrial countries means the member states of OECD excluding Greece, Portugal, Spain and Turkey, which are considered developing countries. Developing countries are listed



according to the definition of the Development Assistance Committee [DAC] of the OECD, but not counting Asian state-trading countries [People's Republic of China, Vietnam, North Korea]. Since 1983, in the meaning of the DAC definition, Spain is no longer a part of the developing countries, but is included here for the entire period under study. We distinguish between the following groups of countries:

Threshold countries: all developing countries in Europe including Israel ; Argentina, Brazil and Mexico; Hongkong, Singapore, South Korea and Taiwan.

Least developed countries: LLDC according to UN definition.

OPEC countries with high income: Qatar, Kuwait, Libya, Saudi Arabia, United Arab Emirates.

Other OPEC countries: Algeria, Ecuador, Gabon, Indonesia, Iraq, Iran, Nigeria, Venezuela.

Countries of medium income: all developing countries not grouped elsewhere.) In the period between 1978 and 1984, the United States and Japan sold about 40 to 45 percent of their exports to the "Third World." For the four large EC countries, this share is lower, due to the great importance of the internal EC market. Of sales outside the EC, 40 to 45 percent of German and British deliveries also went to developing countries, and about 60 percent of French and Italian exports.

Subdividing developing countries according to income level and regional locality shows that sales by the United States, the FRG and Japan go to threshold countries to a particularly high degree, but in a differing regional pattern. In all instances, OPEC countries play a large part as to demand. In the group of countries with medium per capita incomes, regional aspects are a determining factor: Africa, in the case of France; Asia, for Japan and Great Britain; the Americas, for the United States. The least developed countries (LLDC) are of minor importance to France and Great Britain only, with barely 5 percent of their total exports to developing countries. To an especially large extent, developing countries procure from industrial countries capital goods and chemical products. In the export countries studied here, products of the chemical and capital-goods manufacturing industries accounted for 60 to 70 percent of all deliveries to the Third World, and almost 80 percent for the FRG. The importance of individual goods varies from country to country.

Compared to the deliveries of all Western industrial countries, the FRG shows above-average proportions of products of the engineering, road vehicle, and chemical industries. For France, this holds true for road vehicles, airplanes and structural steel engineering products; for Italy, products of the engineering industry, a number of consumer goods, iron, sheet metal and metal products, as well as structural steel engineering products. Great Britain's supply structure is characterized by relatively high proportions of iron, sheet metal and metal products (EBM), airplanes and structural steel engineering products. The United States supplies comparatively many agricultural products, foodstuffs, airplanes and automatic data processing equipment. Lastly, Japan is particularly strong in electric products, road vehicles, iron and steel, ships, and products of the precision mechanics and optical industries.

Table 1. Export Structure of Selected Industrial Countries to Developing Countries According to Country and Goods Categories, 1978 to 1984 (in percent)

Country and goods categories, respectively <sup>1</sup>	FRG	France	Italy	United Kingdom	United States	Japan
Threshold countries	42.2	27.9	31.7	29.5	49.7	39.9
in Europe	28.2	19.7	23.2	16.6	9.6	3.5
in Latin America	7.5	4.7	5.0	3.5	21.5	4.2
in Southeast Asia	6.5	3.5	3.5	9.4	18.5	32.2
Countries with medium income	20.9	35.9	21.7	29.6	26.7	28.0
in Africa	7.4	21.6	9.1	7.5	4.3	4.4
in the Americas	4.0	6.5	3.9	6.4	12.5	7.2
in Asia and Oceania	9.6	7.8	8.7	15.7	9.9	16.4
Least developed countries	2.2	4.7	2.8	4.4	1.4	1.8
in Africa	1.5	3.9	2.1	3.2	0.6	0.7
in Asia, Oceania, the Americas	0.6	0.9	0.7	1.2	0.8	1.1
OPEC countries	34.7	31.4	43.8	36.5	22.2	30.3
OPEC countries with high income	13.4	10.7	25.2	17.9	10.4	14.6
Other OPEC countries	21.3	20.8	18.6	18.6	11.8	15.7
Total (in billion \$)	250.3	199.9	151.9	164.5	505.3	416.6
Products of agriculture, forestry and fishing	0.6	2.1	0.7	1.5	11.0	0.3
Mining products	0.4	0.3	0.2	2.2	1.3	0.2
Products of basic and goods manufacturing industries	25.3	24.6	27.3	23.9	20.4	25.4
Of these:						
Iron and steel	5.4	5.2	4.6	3.1	1.2	11.9
Chemical products	15.4	11.1	10.3	13.2	11.5	8.0
Products of capital goods manufacture	61.8	53.0	51.4	56.1	49.5	64.3
Of these:						
Structural steelwork, rolling stock	2.5	3.2	4.1	3.0	1.6	2.3
Mechanical engineering products	22.4	13.8	19.9	17.9	15.8	14.5
Road vehicles	16.7	13.0	7.8	10.5	6.8	15.2
Watercraft	1.3	2.2	0.9	1.2	0.6	7.6
Aircraft and space vehicles	0.4	3.9	2.3	3.8	6.8	0.0
Electrical products	12.6	10.9	8.5	11.9	11.8	18.1
Precision mechanics and optical products, watches	2.0	1.5	0.9	2.0	1.3	3.2
Steelworking products	0.5	0.7	0.6	0.6	0.4	0.6
Iron, sheet metal, and metal products	2.4	2.9	5.6	3.9	1.7	1.9
Office machines, automatic data processing equipment	1.0	1.0	0.9	1.3	2.6	1.0
Products of consumer goods manufacture	7.9	8.6	16.8	9.4	6.8	8.4
Products of food and luxury food manufacture	4.0	11.3	3.6	6.9	11.0	1.4

1) For definition of country and goods categories, see text, footnotes 2 and 4, respectively.

Source: Computations by DIW according to OECD data.

## Similarity of Export Structures

From a comparison of FRG sales structures with those of other industrial countries, one can draw conclusions about the relations of competitiveness. As an indicator for the intensity of competitiveness one can select an index which describes the similarity of structures and is frequently used within the framework of foreign trade analyses. (Footnote 3) (For example, compare J.M. Finger/M.E. Kreinin, A Measure of "Export Similarity" and its Possible Uses, in: The Economic Journal, Vol 89, 1979, pp 905-912, or M. Kellman/T. Schroder, The Export Similarity Index: Some Structural Tests, in: The Economic Journal, Vol 93, 1983, pp 193-198. The index can assume values between 0 [totally different structures] and 100 [completely identical structures].) In a specific case it indicates how greatly the structure of total exports of two countries "overlap" according to goods categories and partner countries. (Footnote 4) (The computations used here are based on export matrices calculated by DIW for the six selected OECD countries to about 170 partner countries and regions [among them, at least 130 developing countries], as well as about 45 categories and sectors of merchandise according to the Warenverzeichnis fuer die Industriestatistik, Ausgabe 1975 [Merchandise list for industrial statistics, 1975 edition]. The export figures were derived from data of the international foreign trade classification SITC, Rev. 2. Since differences between the countries are not taken into account in the goods categories thus limited, the results are correspondingly rough and overstate the extent of overlapping. However, they are probably sufficient to derive the main elements of competitive relations in the intersectoral and international comparison.)

Under the aspects of goods and regions, German exports to the Third World have the greatest similarity with Italy and Great Britain, whose exports consist of 60 percent of goods of the same merchandise categories, going to the same countries. France follows with almost 55 percent, and Japan and the United States with 42 to 45 percent.

For individual country and goods categories, a differing pattern of the intensity of competition emerges. A subdivision according to country categories shows that the respective competitors of the FRG are

- Italy, in the European threshold countries and the less rich OPEC countries,
- Great Britain, in Asian countries with medium incomes, in the least developed countries, and in OPEC countries with high incomes,
- France, in African countries with medium incomes,
- Japan, in Southeast Asian threshold countries,
- the United States, in Latin America, namely, in threshold countries as well as countries of a medium income level.

From the aspect of the various industrial sectors, the major competing countries are

- Italy, in iron, sheet metal and metal products, steel and industrial engineering products as well as consumer goods,
- Great Britain, in office machines and automatic data processing equipment, products of the precision mechanics, optical, and chemical industries,

- France, in foodstuffs as well as iron and steel,
- Japan, in ships, electrical products and road vehicles,
- the United States, in agricultural products and airplanes.

#### Goods and Country Influences

To explain the market position of the industrial countries dealt with here, one can identify a "goods influence" and a "country influence." These computations are based on the shares of the respective export country in exports from all Western industrial countries to the individual developing countries and to the entire world. The goods influence results from the linkage between the import structure of the partner country and the goods-specific market shares of the industrial country of exports to the entire world. It is greater the more the import demands of a developing country coincide with the major supply elements of the industrial country. In the country component, all influences are reflected except for the goods structure (distance, historical ties, etc.). Both components can turn positive or negative.

If one carries out such a breakdown for selected Western industrial countries, on the basis of trade flows between 1978 and 1984, the following picture emerges (in percent):

Table 2:

	Share of Exports of Industrial Countries to		Difference	of this	
	all countries	developing countries		goods component	country component
FRG	16.1	12.4	-3.7	1.0	-4.7
France	9.0	9.9	0.9	0.2	0.7
Italy	6.6	7.5	0.9	0.0	0.9
United Kingdom	8.5	8.1	-0.4	-0.6	0.2
USA	17.4	25.0	7.6	0.3	7.3
Japan	12.7	20.6	7.9	1.7	6.2

Table 3. Shares of Selected Industrial Countries in Exports From All Western Industrial Countries to Developing Countries, According to Country and Goods Categories, 1978 to 1984 (in percent)

Country and goods categories, respectively <sup>1</sup>	FRG	France	Italy	United Kingdom	United States	Japan
Threshold countries	13.1	7.0	6.1	6.1	31.5	21.0
in Europe	23.2	13.3	11.9	9.2	16.4	4.9
in Latin America	10.5	5.0	4.0	3.0	57.3	9.2
in Southeast Asia	5.1	2.2	1.7	5.0	30.1	43.7
Countries with medium income	9.3	12.9	5.9	8.8	24.3	20.8
in Africa	11.3	27.3	8.7	7.9	13.7	11.6
in the Americas	6.5	8.3	3.7	6.7	40.7	18.9
in Asia and Oceania	9.9	6.4	5.5	10.8	20.5	28.0
Least developed countries	10.1	17.9	8.1	13.6	13.9	14.4
in Africa	11.2	23.1	9.7	15.7	9.7	8.7
in Asia, Oceania, the Americas	8.1	8.9	5.3	9.8	21.4	24.3
OPEC countries	14.3	10.2	10.8	9.7	18.1	20.3
OPEC countries with high income	12.3	7.7	13.8	10.5	18.9	21.8
Other OPEC countries	16.0	12.2	8.3	9.0	17.4	19.1
Total	12.4	9.9	7.5	8.1	25.0	20.6
Products of agriculture, forestry and fishing	1.7	5.4	1.4	3.1	69.1	1.4
Mining products	5.0	1.3	1.5	16.9	31.8	2.9
Products of basic and goods manufacturing industries	12.1	9.9	8.4	7.8	20.5	21.2
Of these:						
Iron and steel	12.3	10.1	6.8	4.8	6.0	47.9
Chemical products	16.3	9.9	7.0	9.6	25.5	14.7
Products of capital goods manufacture	13.8	10.0	7.4	8.6	23.3	25.2
Of these:						
Structural steelwork, rolling stock	12.6	13.6	13.2	10.5	17.1	19.9
Mechanical engineering products	16.8	8.7	9.6	9.2	24.9	19.0
Road vehicles	19.0	12.5	5.7	8.2	16.3	30.3
Watercraft	5.5	7.6	2.3	3.4	4.8	55.6
Aircraft and space vehicles	1.8	13.8	6.1	11.0	60.4	0.2
Electrical products	12.1	8.9	5.3	7.9	24.0	30.5
Precision mechanics and optical products, watches	11.2	7.0	3.2	7.8	16.2	31.9
Steelworking products	11.5	14.8	9.0	10.2	20.1	24.6
Iron, sheet metal, and metal products	11.6	11.7	17.3	12.8	17.2	15.7
Office machines, automatic data processing equipment	8.8	7.2	5.2	8.0	48.2	15.2
Products of consumer goods manu- facture	10.9	10.1	15.0	8.9	19.8	20.5
Products of food and luxury food manufacture	5.6	13.5	3.3	6.7	32.6	3.6

1) For definition of country and goods categories, see text, footnotes 2 and 4, respectively.

Source: Computations by DIW according to OECD data.



If one adds the percentage points of the goods and country influence to the share of the respective industrial country of exports to all countries, then one obtains the respective share of exports to developing countries. For the FRG, there is a positive goods component in developing countries (+1 percentage point). Thus Third World demand is directed, to a particularly large extent, toward goods (above all, capital goods and chemical products) in which German enterprises have a high world market share. However, this is juxtaposed with a particularly large negative country component (-4.7 percentage points). Accordingly, the German share of exports to developing countries of 12.4 percent falls short of the 16.1 percent share which the FRG holds on the world market. Of the other industrial countries taken into account here, Japan above all profits from the demand structure of the developing countries. This is contrasted by the fact that the import demand of developing countries is relatively low for British products with a large share of the world market.

A positive goods influence for the FRG, rising above the average of that in developing countries, exists above all in OPEC countries, in Latin American threshold countries, and also in Asian countries of a medium income level, particularly the ASEAN countries. For the FRG the country influence, with the exception of European developing countries, is positive only in a few other countries. (Footnote 5) (Essentially, they are Iran, Iraq, Syria and Uruguay.) In threshold countries, the least developed countries in Asia, and in countries with medium incomes in the Americas it has its most negative effect.

#### Determinants of Market Position ...

Breaking down the export shares gave an idea of how important the goods structure of demand in a developing country is for sales by the various industrial countries, compared to other influences. To come to more precise assessments of the relationships, multiple regressions were made which shed light on the dependence of an industrial country's market position on important characteristics of the sales territories. In addition to the structure of demand—represented by the goods component assessed above—, geographical distance, historical ties as well as direct investments and development assistance were included in the study.

The role played by distance in the intensity of trade relations is proven by the preference valuation for foreign trade analysis. (Footnote 6) (As early empirical works using this valuation, compare J. Tinbergen, *Shaping the World Economy*, The Twentieth Century Fund, New York 1962, Appendix VI, and H.J. Linnemann, *An Econometric Study of International Trade Flows*, North-Holland Publishing Co., Amsterdam 1966. For use in analyzing trade relations with developing countries, see A. Sapir, *Trade Benefits under the EEC Generalized System of Preferences*, in: *European Economic Review*, Vol 15, 1981, pp 339-355.) Distance reflects the amount of transport costs in particular, but also the cultural similarity of the trading partners. Accordingly, the market share of a supplier country tends to decrease with increasing distance of the sales territory. The length of international flight routes between the trade centers of the respective trading partners

is used as an indicator. (Footnote 7) (The capitals are considered trade centers; deviating from this, we stipulate Frankfurt for the FRG, Milan for Italy, New York and Los Angeles, respectively, for the United States [the shortest route across the Atlantic and Pacific, respectively].) As the computations show, the trade-impeding effect of distance does not increase in a linear fashion, but in a declining rate. Therefore, this variable is taken into account on a log scale.

In many cases, political ties have led to particularly intensive trade relations. In part, such ties go far back into the past and are nurtured more or less emphatically (or deliberately loosened); in part they are of a newer date. Historic political ties have a positive trade effect because of the common language and education of the negotiating partners, established traffic routes, trade policy preferences, or business agreements. It is difficult to quantify the strength of such ties. A problem of their assessment is also that the effects of changing ties to different industrial countries can overlap. The numerous historical aspects are approximated here through a variable which receives the values of 1, 0.5, or 0. In determining the rate of intensity, several indicators are taken into account. Among them is the status of former colony, an administrative mandate by the League of Nations or the United Nations, respectively, and membership in a contractual union which can be assigned to a certain industrial country (as the Commonwealth in the case of Great Britain, or the African Franc-zone for France). For the United States, defense agreements, military base treaties and high military assistance are also included. In the case of Japan, ties through cultural and religious similarity with most of the Southeast Asian neighboring countries, possibly transcending geographical proximity, are taken into account. For the FRG, in addition to former German colonies (0.5), traditionally close relations with Arab countries, especially those east of the Mediterranean which can be reached over land (1), are also noted. It is also taken into account that the German market share can be influenced negatively by developing countries having ties to other industrial countries.

Direct investments can have a positive effect on the exports of the investor country through increased deliveries of capital goods and primary products, particularly from parent company to subsidiaries. It is possible only to a limited extent to compile internationally comparable data on foreign investments according to investor and receiver countries. Here, the basis is the amount of directly invested capital at the end of 1967; added are the annual net investments from 1969 to 1982. (Footnote 8) (No comparable data are available for 1968.) Inadequacies of the available data are important only in that they distort the shares of the various industrial countries. But the focal points of direct investments are reflected, by and large.

From bilateral development aid the donor country can be sure of high export orders if the funds are linked to delivery. Additional orders may result because, as a rule, development aid covers only a part of the project costs, or because the installations are tied to systems or norms of the donor country. In addition, the political and psychological

willingness to buy products of the donor country can improve so that firms from this country are preferred for subsequent orders. The individual donor shares of bilateral assistance of all Western industrial countries are established on the basis of gross payments. The payments are based on a very long period of time--1969 to 1982--so that possible aftereffects can be taken into account.

Table 4. Determinants for the Share of Western Industrial Countries of Exports to Developing Countries<sup>1</sup>

	Constant	Goods struc- ture of demand	Distance	Historic ties	Direct invest- ments	Develop- ment aid	Coeffi- cient of deter- mination R <sup>2</sup>
FRG							
History A <sup>2</sup>	48.95 xx (7.2)	2.46 xx (6.4)	-11.04 xx (-6.0)	2.07 (0.6)	0.10 (1.4)	0.06 (1.9)	0.53
History B <sup>2</sup>	42.99 xx (6.4)	2.37 xx (6.5)	- 9.43 xx (-5.2)	5.34 xx (3.1)	0.12 (1.9)	0.05 (1.5)	0.58
History C <sup>2</sup>	57.71 xx (10.6)	2.22 xx (7.4)	-13.07 xx (-8.9)	4.95 xx (7.0)	0.10 (1.9)	0.03 (1.2)	0.72
France	8.31 (0.6)	3.14 x (2.3)	- 1.31 (-0.4)	12.37 xx (3.4)	0.15 x (2.3)	0.42 xx (5.4)	0.86
Italy	43.39 xx (7.7)	0.72 (1.3)	-10.48 xx (-6.7)	33.81 xx (6.8)	0.12 x (2.2)	-0.15 (1.8)	0.80
United Kingdom	14.13 x (2.3)	2.57 xx (2.9)	- 2.94 (-1.7)	12.15 xx (7.7)	0.12 xx (5.7)	0.03 (0.6)	0.85
United States	154.79 xx (6.2)	2.49 xx (4.7)	-38.64 xx (-6.0)	0.82 (0.3)	0.31 xx (5.9)	0.06 (1.1)	0.78
Japan	112.04 xx (4.8)	2.37 xx (7.8)	-25.65 xx (-4.3)	6.71 (1.7)	0.02 (0.4)	0.18 xx (3.2)	0.78

1) Results of multiple regressions for the export share 1978 to 1982 on the basis of data for 80 developing countries with more than 2 million inhabitants. Under the estimated coefficients for the different variables, the appropriate t-values are given in parentheses; significance of a variable with an error probability of 1 percent is marked by xx, with an error probability of 5 percent it is marked by x.

2) History A: Former German colonies = 0.5. History B: Including Turkey, Iran, Syria and Jordan = 1. History C: Including French history vector with a negative sign.

Source: Computation by DIW.

### ... and Their Significance

The results of the multiple regressions indicate for the FRG that demand structure and distance represent significant determinants of the German export share: it tends to be higher, the more the import demands of a developing country extend to the focal points of supply of German exports, and it drops with increasing distance of that country. On the other hand,

direct investments and development assistance do not significantly influence the German share of exports. With regard to historical aspects, former German colonial relations no longer have any effect, but historic relations with a number of Arab states are still of significance.

The historic relations between France and Third World countries have a negative effect on the German market share. If one takes that into account, the declaration value of the regression equation increases substantially. France in particular defends very emphatically its old interests and more predominant position in the Third World, especially in Francophile West Africa.

For other countries, different influences dominate in each case. The demand structure of the buyer country is also of great significance for the Japanese and U.S. market shares; to a lesser extent, this also holds true for Great Britain, while for France the demand aspect is of lesser importance. Distance has a strongly negative influence on exports from the United States, Japan and Italy. Direct investments play an important role for sales by the two largest investor countries, the United States and Great Britain; to a lesser extent for France and Italy, also. Development aid is a significant determinant of the export share only for France and Japan. This indicates a particularly close connection between the granting of development aid and commercial interests for these two countries. In the case of France, this result fits into the picture that this country maintains close ties to its former colonial territories on all levels of economic cooperation. It appears that Japan, particularly in the Southeast Asian area, has deliberately employed development aid to support its export interests. (Footnote 9) (Compare M. Hofmann, *Fuer Japans Firmen ist Entwicklungshilfe der erste Schritt zur Marktsicherung* [For Japan's enterprises, development aid is the first step toward securing a market], in: *HANDELSBLATT*, 18/19 Oct 1985, and M. Hofmann, *Japans Entwicklungspolitik* [Japan's development policy], *Deutsches Institut fuer Entwicklungspolitik*, Berlin 1984, particularly pp II and III.) Historic relations are important for France, Great Britain and Italy, but not for Japan and the United States.

The significance of historic ties to France is demonstrated in the former colonies in West Africa in particular. For British exporters, the sales advantage due to historic relations in the former spheres of British influence in Asia is considerably less than in the former British colonies in Africa, which became independent much later. Italy generally has large export shares in the Mediterranean countries, particularly in Libya, Somalia and Ethiopia.

In summary, two country categories can be formed on the basis of the regression results. On the one side are the FRG, Japan and the United States. For their export share, historic relations play no role, but rather more economic reasons such as the demand structure and transport costs according to distance. On the other side are the two former great colonial powers, France and Great Britain. Their market share is largely determined by historic ties, only less so by the demand structure, and not at all by distance. Italy may be placed between these two groups.



Over-all, direct investments seem to play a somewhat larger part in the sales success of industrial countries than development assistance, a plausible result in view of the proportions of size.

In future, it will be important for the FRG to better utilize the advantages arising from the goods structure of the demand of developing countries, in order to counteract the present negative effect of a very narrow foreign exchange margin for this category of countries. (Footnote 10) (Compare Deutsche Ausfuhr in Entwicklungslaender 1986: Tendenz ruecklaeufig [German exports to developing countries 1986: recessive trend]. By Herbert Wilkens. In: WOCHENBERICHT DES DIW, No 19/1986.) A better bridging of geographic and cultural distance, particularly with the countries of Southeast Asia, is decisive for strengthening the market position. This requires a stronger presence in those countries so that potential buyers can be better informed about German goods offered, as well as keeping enterprises in the FRG better informed about developments in the sales markets. In addition to closer cooperation of German enterprises, for instance through their sales departments, it could be fostered through establishment of additional German chambers of commerce for foreign trade, and by strengthening of the commercial sections on a diplomatic level.

9917

CSO: 3620/748



## ECONOMIC PROBLEMS WITH POLAND DISCUSSED

Athens TA NEA in Greek 15 Jul 86 p 16

[Text] The proceedings of the Greek-Polish Joint Inter-Ministerial Committee's Second Conference on developing economic, industrial and technological cooperation were continued and completed in Athens on Friday, 11 July.

Heading up the delegations were Deputy Minister of National Economy Giannis Papandoniου and the Polish deputy minister of foreign trade, Andrzej Dorosz.

The meeting in Athens was the third in a series occurring within the frameworks of the joint committee's second conference in an effort by the two governments to find solutions to the matter of Poland's debt to Greece, as well as to certain problems related to regulating the social security of Greek political refugees.

The first meeting took place in Athens on 15 January 1986 and the second was in Warsaw on 25 May 1986. During the committee's final round of proceedings in Athens, the second conference's protocol was signed, on 11 July 1986; in it, all the Greek-Polish issues of economic cooperation are reviewed and ways of increasing commercial exchanges and widening the spectrum of products traded are designated, as are the forms of long-term industrial cooperation.

There is also an agreement in the protocol that the Polish debt to Greece will be discharged within two years, specifically, by July 1988. An acceleration of the debt's payment is being devised by increasing the amounts deducted from the value of capital and non-essential goods imported from Poland, with a parallel increase in exports. The amount deducted is increased from 45 to 53 percent for capital goods and from 33 to 50 percent for other products. The signing of the protocol begins implementation of the new agreement and it will be continued until full payment of the debt which has remained since the old clearing.

As concerns settling the economic problems related to the social securities of Greek political refugees who are being repatriated from Poland, it has been decided that the Polish side will pay 4.5 million dollars by the end of 1986. For this purpose, by 30 September 1986, the Polish side will transfer to the Bank of Greece 1.2 million dollars from the 1985 debt, while the amounts which have been withheld for this purpose will be set free. For the remaining amount, it has been agreed to increase the amounts deducted from the value of products imported from Poland.

9247

CSO: 3521/210

## STUDY SHOWS GREEK GOODS LESS COMPETITIVE

Athens TO VIMA in Greek 15 Jul 86 p 15

[Text] The rate at which the competitiveness of Greek products is dropping has increased, according to a study conducted by the Exports Research and Studies Center (KEEM) of the Panhellenic Exporters Association. The drop in competitiveness is owing to the exorbitant increase in the labor cost per product unit in relation to other competitive countries.

More specifically, in the KEEM report the following, among other things, are reported:

An increase in the rate at which the competitiveness of Greek products decreased, in national currency, was noted in the fourth quarter of 1985, according to the related index for labor cost per product unit established by the KEEM. More specifically, the labor cost per unit of a produced product (or unitary labor cost) in Greek manufacturing increased, in the fourth quarter of 1985, 2.68 percent, while in the first, second and third quarters of 1985 it had increased 4.41, 5.90 and 1.61 percent respectively.

At the same time, the unitary labor cost of the five competitive countries (West Germany, France, United States, Japan and Great Britain) increased, in the fourth quarter of 1985, 1.06 percent, versus an increase of 1.18, 0.41 and 0.17 percent in the first, second and third quarters of 1985.

Thus, during the fourth quarter of 1985, in national currency and in relative terms, Greek manufacturing products became, as regards the unitary labor cost, 1.61 percent more expensive than the manufacturing products of our competitors. It is noted that, during the first, second and third quarters of 1985, the related index for labor cost had increased 3.21, 5.51 and 1.43 percent.

In other words, during the fourth quarter of 1985, a further erosion of the competitiveness of Greek products--by about 1.6 percent--was noted. This erosion, in combination with the 10.46-percent erosion in the competitiveness of Greek products during the nine-month period January to September 1985, made Greek manufacturing products in the period January to December 1985 12.24 percent less competitive totally.

This eroding competitiveness of Greek products during the fourth quarter of 1985 was overlapped by the slipping of the drachma and the once and for all, 15-percent devaluation last October. Specifically, in a common currency (U.S. dollar), the

related index for labor cost per product unit decreased in the fourth quarter of 1985 14.53 percent. This means that, in a common currency and in relative terms, Greek manufacturing products became, as regards labor cost, 14.53 percent cheaper than the products of competitive countries.

More particularly, the index for the unitary labor cost in Greek manufacturing decreased, in U.S. dollars, 8.26 percent in the fourth quarter of 1985, while the corresponding index for competitive countries increased 7.35 percent. This is due to the fact that during the fourth quarter of 1985, compared to the previous quarter, the U.S. dollar increased in price, as regards the drachma, 11.9 percent while, as regards our competitors' currencies, the dollar fell in price 5.9 percent.

9247

CS0: 3521/210

## TRADE DEFICIT SAID TO PRESAGE NEW ECONOMIC MEASURES

Athens I KATHIMERINI in Greek 18 Jul 86 p 1

[Article by Kostas Dedes]

[Text] The messages from developments in the balance on current accounts (trade balance plus balance on invisibles) are alarming, given that in the first five months the deficit has already reached 1.44 billion dollars, as compared to the government's target of 1.7 billion for all of 1986. Developments would be even more unfavorable if the appropriations (in dollars) we collect from the European Community had not increased significantly. Thus, taking tough decisions and measures to control the deficit and avoid "unpleasant conditions" in the future is sketched strongly on the economic horizon. The questions broached at this moment are what will be the nature of the economic measures and when they will begin to be imposed, with no political cost for the governing party.

The alarm is justified by the increase in imports (without fuels) in the first five months (7.5 percent, compared to 2.3 percent last year), as well as the fall (-2.2 percent) in our exports. It is dictated, moreover, by the fact that a decrease is seen in the private capital brought in from abroad (463 million dollars in the five-month period of 1986, versus 584 million on the same period in 1985), which means that our needs in borrowing abroad are continuing to increase. A rise in the annuities to service former loans received from abroad is also being observed.

#### The Primary Magnitudes

In more detail, the developments in the balance on current accounts are the following:

As concerns the trade deficit, in the first five months of 1986 a deficit of -2.436 billion dollars was noted, versus -2.681 billion in 1985 and -2.324 in 1984.

This year's deficit was formed on account of the fact that imports reached 4.166 billion dollars (3.29 billion without fuels) and our exports amounted to 1.73 billion dollars. It should be noted that our exports in the corresponding period of 1985 were 1.769 billion dollars and 1.941 billion dollars in 1984. In other words, a steady deterioration is being seen.

As concerns the balance on invisible exchanges, the surplus in the five months was 994 million dollars, as compared to 823 million in 1985 and 1.009 billion in 1984. This year's improved surplus in invisibles compared to last year's is due to the fact that there was a 84.2-percent (!!) increase in our exchange earnings from the EEC, which reached 479 million dollars, compared to 260 million in the same period last year. (Of course, this development is also owing to the dollar's devaluation versus the European Monetary Unit.)

#### Invisible Exchanges

Developments in the other primary items in the balance on invisible exchanges are the following: First, the tourist exchange flowing into our country in the first five months reached 355 million dollars, versus 302 million last year. Second, an increase was observed in emigrant and labor remittances, which amounted to 317 million dollars, compared to 287 million last year. Third, there was an increase in the interests we paid to service former foreign loans. Specifically, interests in the first five months were 524 million dollars, versus 478 million last year and 429 million in 1984.

Having a deficit of -2.43 billion dollars in the trade balance and a surplus of 994 million dollars in the balance on invisible exchanges, a deficit of 1.44 billion dollars in the balance on current accounts emerges: -2.43 billion +994 million dollars = -1.44 billion dollars.

This deficit is covered, in part, by the influx of foreign private capital for investments, purchasing real estate, deposits, etc. The total private capital coming into our country in the first five months was 463 million dollars. Of this, 106 million was venture capital, versus 117 million in 1985.

It should be pointed out that a significant rise--compared to last year--was observed in private deposits in foreign exchange which reached 121 million dollars, compared to 56 million in the same period in 1985.

The greatest part of the deficit in the balance on current accounts is covered with public borrowing from abroad. For the five months, foreign borrowing amounted to around 968 million dollars and amortizations for servicing former loans reached 260 million from 252 million dollars in 1985.

In the end, a deficit of 214 million dollars (balance of payments deficit) remains, which will be covered with borrowing in coming months.

Finally, as concerns our exchange reserves, they showed an increase, reaching 1.544 billion dollars.

9247

CSO: 3521/205



## BRIEFS

TOBACCO-PURCHASE AGREEMENTS BROKEN--The Soviet Union and Egypt are creating serious problems for Greek tobacco growers because they are not buying the quantities of tobacco agreed upon from our country. As ND deputies Bekiris, Vagiatis and Theekharidis note in their query to the minister of agriculture, this branch is greatly concerned over the fact that Egypt is not collecting and paying for large quantities of oriental and Burley tobacco which it had contracted to buy already, beginning in 1983 and 1984. There are held-up shipments amounting to approximately 15,000 tons. The prospects for new purchases in the future from Greece are very limited. There is also great concern because the Soviet Union thus far this year has stayed away from purchasing the current exportable crop though this country's usual annual portion has amounted to 10,000 to 12,000 tons. This uneasiness is reasonable, given that the Soviet Union and Egypt are primary supports for Greek tobacco exporting and, in fact, for types and qualitative compositions not absorbed by other purchasing countries. The minister of agriculture is being asked what measures he proposes to take to push the Soviet Union and Egypt to buy the quantities of tobacco agreed upon from our country, since these countries appear to be breaking their agreements and, as a result, creating serious problems for the Greek producers. [Text] [Athens I VRADYNI in Greek 16 Jul 86 p 15] 9247

CSO: 3521/210

## UNIQUE SOCIAL COMPACT BREAKING CYCLE OF INFLATION

Stockholm SVENSKA DAGBLADET in Swedish 16 Jul 86 p 24

[Article by Johan Myrsten: "Unique Social Pact Brings Iceland's Inflation to Its Knees"; first paragraph is SVENSKA DAGBLADET introduction. First article in a series describing the situation of Iceland's economy, which is on the verge of exciting developments.]

[Text] Reykjavik—"One certainly should not praise the day until it is over, but it appears to be a miracle" That was the comment of an experienced diplomat about the social contract which has stopped Iceland's inflation--at least for a time. But without the help of Sheik Yamani and good fishing the agreement would perhaps never have become reality.

And without the social contract the Icelanders would not have been lining up outside the automobile dealerships this spring to buy automobiles almost duty-free.

It was 26 February 1986 after a series of night-long meetings in the dark brown chambers of the Icelandic Employers Association that a new form of wage agreement was concluded, a social pact between three parties in the society. Besides the employers and the Trade Union Federation, there was also the government.

"It was a turning point in the whole economy," said Prime Minister Steingrimur Hermannsson.

"For many, many years we have worked for a broad agreement between wage earners, employers and the government about wages and economic conditions."

Three outside factors helped the historic agreement: the oil price war which Saudi Arabian Oil Minister Yamani started just before the new year, increased export prices for fish and increased demand for Icelandic fish, both in North America and in Europe.

## Trade Surplus

All this improved a key figure in Iceland's economy, namely the balance of trade. Few countries study the relationship between export and import prices

as carefully as Iceland, where resources other than fish and geothermal heat are so meager. This year it is expected that foreign trade will for once go into a surplus.

But beyond that all the parties were also anxious to try a more fruitful way than high nominal wage increases interwoven with drastic cuts and tiresome conflicts.

The Icelanders have been able to try many things during the three years of Steingrímur Hermannsson's government period.

It began with drastic cutbacks in the spring of 1983. Then Steingrímur, the son of former prime minister Herman Jonasson had just moved into the prime minister's office, the little whitewashed house where the thick walls are remains of its past as a Danish prison.

Steingrímur Hermannsson's nonsocialist coalition was formed from the conservative Independence Party (Iceland's largest party) and the prime minister's own rural-based Progressive Party.

In May 1983 this government presented its bitter forced medicine against inflation, deficit in the trade balance and the crisis years of the 1980's. The automatic pay increase every quarter in step with inflation was abolished for two years. The government dictated low nominal wage increases for the rest of the year. The krone was devalued "one last time" by 15 percent.

The May pact quickly took hold. Inflation declined from 130 percent annually at the beginning of 1983 to 30 percent at the end of the year, and about 15 percent by the fall of 1984.

For wage earners the belt was drawn very tight. In eight months real wages declined by one-fourth. By increasing working hours and other measures Icelanders were able to dampen the effects, so that real disposable income fell about 12 percent in 1983. The income level did not change in 1984, but it rose somewhat in 1985.

"Many said that the measures were dictatorial, and I agree with that. But when the crisis is great one must perhaps set aside important principles in order to prevent an even worse crisis," said Steingrímur Hermannsson.

#### Crisis every Fifteen Years

"We have had crises in fishing about every fifteenth year. But when fishing weakened in 1982-83 we had reached a much bigger crisis. We could not maintain our living standard with foreign loans and devaluation one more time. We were forced to take much more drastic measures than ever before and abolish indexing of wages. It was not reasonable to expect that LO [Trade Union Confederation] would go along. But we succeeded in getting people to understand that it was serious," continued the prime minister.

In October 1984, however, unhappiness with the starvation cure led to a powerful explosion. Public employees went on strike for four weeks, and achieved wage increases of 25 percent up to the end of 1985.

Soon inflation began to shoot up again. In December 1985 living costs had risen 34 percent since the beginning of the year. Everything pointed toward even higher price increases in 1986, when suddenly the changed external conditions gave the parties a chance to try a negotiated income policy instead of a forced one such as that of 1983.

The following were some of the features of the three-party agreement:

- o- The wage earners agreed to low nominal wage increases, 13 percent below 1986, plus some percent for the lowest paid. Extra amounts will be given every quarter if the cost of living rises more than the amount estimated in the agreement, which runs out at the end of the year.

- o- Both wage earners and employers undertook to pay in more money to Iceland's many pension funds, which are tied to different occupational groups. Both the pension funds and the state undertook to subsidize housing loans to low income households.

- o- The state promised to keep the exchange rate of the krone fixed. No devaluation will favor fish export this year at the expense of the wage earners (instead the wage taxes were lowered in the fishing industry). About five percent of the national budget was set aside for a number of expenses and tax reductions. Food prices will not increase more than wages this year. Most spectacular and talked about was the reduction of duty on automobiles from 70 to 10 percent.

- o- Price increases were predicted to come down by 8-9 percent from January to December this year which, if so, would be the lowest inflation in 15 years.

During the first months following the agreement the framework largely held-- and the rush for lower priced cars has been strong.

The Left, however, is criticizing the three-party agreement. It does not compensate the wage earners for losses from 1983-1984, said actress and folksinger Kristin Olafsdottir, who is vice chairperson of the People's Alliance of Left Socialists and Communists.

"Those who had a car now have two, and those who had two can get a third. But one cannot eat cars."

Kristin Olafsdottir also believes that the employers got off too cheaply at the expense of the state.

"LO is helping the government putting new liberalism into practice," thundered Kristin's spouse, leftwing journalist Oskar Gudmundsson.

More positive, naturally, are the two main individuals behind the agreement, LO chief Asmundur Stefansson and the chairman of the Employers Association, Gunnar Fridriksson.

"This year we expect an increase in purchasing power of 7-8 percent, with nominal wage increases of 2-3 percent per quarter," said Asmundur Stefansson.

"It is clear that an agreement of this kind will not be approved by everyone at the table. But Gallup polls indicate that the agreement is supported by fully 70 percent.

"In next year's negotiations we will work on reducing the difference between the minimum and the average wages. Wage glides have been both strong and uneven," continued Asmundur Stefansson, whose LO must have permission from the unions every year to meet in unified negotiations and reach central agreements.

Asmundur Stefansson also said that the unions, with the employers' and the government's support, are now organizing price-watching in the stores, and are urging companies to reduce their profit margins.

Gunnar Fridriksson, chairman of the Employers Association, is at least as positive.

#### Negotiated Reasonably

"Personally I am proud of having participated in getting this agreement in effect. This is the first time we have negotiated reasonably. Both parties assumed great responsibility. We have convinced our members not to go to the government and request another devaluation.

"LO now has leadership with people who have the kind of education that can understand economic relationships. Previously the leadership of LO was more emotional. Now there is also a much better statistical foundation about the effects of different agreement levels."

Gunnar Fridriksson now speaks of the importance of reducing the high real interest rates in order to increase productivity and investments, mostly to help the new and more capital intensive firms. Investments have already increased this year compared with last year. And Gunnar Fridriksson also notes another good sign:

"The fact is that people began to save when prices became more stable. Now people compare prices, which they did not do before."

9287

CSO:3650/282



## COALITION AGREEMENT AIMED AT COMBATTING UNEMPLOYMENT

Rotterdam NRC HANDELSBLAD in Dutch 1 Jul 86 p 2

[Text] The Hague, 1 July: As far as the CDA and VVD negotiators are concerned, young people up to the age of 20 can no longer possibly be out of work. "They work and/or go to school," under the terms of the proposed government scheme that was presented yesterday. A "Youth work guarantee plan" modeled after that of Sweden guarantees all unemployed persons up to and including 20-year-olds a job in the working world and/or a seat in a classroom. In this way unemployment among young people can be reduced by 50,000 individuals. It likewise means that welfare payments for young people belonging to these age groups will diminish.

The agreements on measures to combat unemployment among our youth that are being made during the course of the various Collective Labor Agreement (CAO) negotiations form an important part of the youth work guarantee plan. Young people who do not turn up in a school or job slot will have to be offered a temporary, supernumerary position by or on behalf of the community, as provided in the youth work guarantee plan and as developed by the ministry of social affairs. The intention is to introduce the plan by stages, in virtue of which first consideration is given to young people of 16 and 17 years of age and those who turn 18. Youngsters in these age groups have six months to look for a job on their own. After that, the community offers them a job consisting, in principle, of 20 hours work per week. Any who wish may refuse this job, but then he or she receives no unemployment benefit. Such youngsters are thus thrown back on their parents for support under the terms of the plan.

The chief intention of the policy for the approaching cabinet term is to combat unemployment. According to the arrangements made by negotiations De Vries (CDA) and Nijpels (VVD), that can only happen if the goal is pursued under the terms of a policy that addresses economic recovery, a solution to the lack of financing and at least a stabilization of the collective tax pressure (taxation and options). In this way it has to be possible to reduce unemployment by a figure of 200,000, to maintain purchasing power and to bring the deficit down to 5.25 percent. The objectives are all closely interconnected. Spokesman De Koning maintains that "One cannot move a foot without damaging some other objective."

To decrease unemployment figures, the government agreement joins forces with the compromises made in early May between a cabinet delegation and representatives of employers and trade unions in the Labor Foundation. With the intention

of forcing unemployment back down under the 500,000 level, it was assumed that an average curtailment of working hours by 0.75 percent a year would compensate for a surrender of wages on the order of 0.5 percent. If in particular industrial circles the jobs that became available because of the shorter hours are filled up to the 40-percent mark and in managerial circles up to 75 percent, this will lead to a decrease of 50,000 persons from the total number of jobless by 1990. Further special job-opportunity measures and educational programs will certainly reduce the ranks of the unemployed by a further 110,000.

#### Covenant

Concerning the role of the social partners and the local authorities, it is noteworthy that they get "more voice" with this arrangement. The newly forming cabinet will have to try to conclude a "covenant" with employers and unions, one that will formulate the chief tenets of socioeconomic policy. Yesterday, Spokesman De Koning termed the "Foundation Agreement" of May dealing with the approach to take vis-a-vis unemployment a model scheme. With the local authorities (communes and provinces) an "administrative agreement" would have to be reached, whereby clarity could be achieved concerning financial relations and mutual cooperation.

The CDA and VVD negotiators find that over the next four years, the new cabinet will have to come up with retrenchments that amount to a total of 18.5 billion guilders. The net adjustment package will thus add up to 17.2 billion guilders, inasmuch as 1.3 billion have been earmarked for new expenditures. Moreover, an extremely strong budget policy will be pursued in order to avoid the overspending that may occur once again, along with the cuts made elsewhere. In this connection, on the occasion of the presentation of the tentative results of the negotiations yesterday, Spokesman De Koning alluded to an "unprecedented tightening of discipline." The government plan says that overspending must be "counterbalanced by additional adjustments, in principle during the same year and in the same sector." And additional data or amplifications of the same policy may be appended only when "the existing policy is restricted, by preference in the same sector," to quote the proposed agreement.

During the past four years, 13 billion guilders of the total figure of 29 billion in adjustments has been lost again as a result of additional unforeseen expenditures. "Thus you see what the effect of such a rule of thumb is," said De Koning yesterday. There is as yet no hope for lowering taxes other than the additional shortening of working hours in the collective sector. The proposed agreement says that in the second half of "the arduous year 1987," people will be keeping a watchful eye on whether enough amplitude is being generated for these respective demands of the VVD and the CDA. Such tax reform plans as those proposed by the Oort commission must become effective by 1 January 1988.

In coming years, if it is up to the CDA and VVD negotiators, a sum of 6.7 guilders will be cut from the government budget, and 5.3 billion from public health, job provisions, the collective sector and social security. By combatting fraud in tax and benefit payments, the government can save 2 billion guilders by 1990, according to the plan to be adopted. In addition, 4.55 billion guilders will flow into the treasury as a result of the restrictions on stocks of supplies and property abatements for industries, a 1-percent increase of both the VAT rates

and the purchase of government shares and surplus natural gas. To these income-raising measures the cabinet had already agreed in principle, last April.

Counterbalancing the 18.55 billion guilders in adjustments is a figure of 1.35 billion in additional outlay. The largest part of this sum (500 million) goes to the ministry of social affairs, intended to provide job opportunities. Vocational and higher education receives 300 million guilders from this amount. To the ministry of economic affairs goes 200 million additional guilders, allotted to strengthen the technology policy of the government. And 125 million guilders are reserved for additional expenditures by the courts and the police.

The manner in which cuts must be made has not yet been determined in many instances. Spokesman De Koning said yesterday that that is a job for the new cabinet. Thus the ministry of education will have to surrender 700 million guilders in additional funding. The first draft of the agreement does not indicate where that amount will be found, however. In public health, 1.2 billion guilders will be cut. The CDA and VVD negotiators have agreed that "roughly" speaking, half of this amount will be realized through limitations on the size of orders (letting fewer people make use of supplies) and the other half by way of "postponement of financing." In addition, an independent commission will be established that must publish a report within six months concerning the possibilities of limiting costs in the health-care field.

#### Public Housing

In the rough draft of the government plan, public housing has been allotted a total of 1.5 billion guilders in all. One billion guilders can be obtained by reducing the number of buildings to be built annually in the social rental sector by 25 percent of 40,000 (to 30,000) and by limiting the number of premium dwellings to be built to 6 000. Furthermore, the flow of subsidies will have to be reduced by 500 million guilders. These include rent subsidies, government subsidies for dwellings, insulation subsidies and compensations for moving and renovation costs.

Concerning social security, the proposed government scheme says that after rounding off the "system revision," "no improvements nor depreciations" will be introduced into employees' insurance policies. With the organizations of employers and employees, arrangements will be made "as soon as possible" to transfer these securities (sick law, unemployment law and work disability law). With respect to welfare and the General Widows' and Orphans' Law (AWW), one may observe that "specific adaptations" are being considered. Spokesman De Koning did not wish to comment yesterday about the possible contents of these measures.

The job market for civil servants will be determined from now on in the same way as is already the case for trend followers. In the rough draft of the government scheme there is talk of a "model with limitations." Starting at least with the retention of purchasing power, the cabinet, "after consultation with the central councils for magistrates," determines the financial limitations on a basis of developments in the market sector, budgetary limitations and desired improvements in the labor market. Within these boundaries, negotiations can then take place with regard to details and precisions.

8117

CSO: 3614/118

## TRADE WITH USSR REPORTEDLY CONCENTRATED IN SINGLE FIRM

Lisbon SEMANARIO in Portuguese 26 Jul 86 p 17

[Article by Alvaro Mendonca]

[Text] As in France, Italy and other Western countries, Portugal also has its "Red Baron." The man responsible for exports to the USSR, whose firm, IT/Imporlest, controls trade with that country.

At this time, some 90 percent of Portugal-Soviet trade passes through the IT/Imporlest group--a domestically owned firm, headquartered in Oporto and controlled by Mr Rigor and his two partners.

Among COMECON countries, the USSR is the most important trading partner of Portuguese exporters, representing more than half of all deal closed with that economic bloc.

Though small, Portugal's quota in that market is still worth more than 11 billion escudos.

On the other hand, the USSR has exported less than 9 billion escudos to our country. The trade balance therefore turns out to be favorable (at 1985 rates).

## Volume of 18 Billion Escudos in Business

IT/Imporlest has dedicated itself to imports as well as to exports, and controls 90 percent of the total of Portuguese-Soviet trade, which corresponds to an annual volume of business on the order of 18 billion escudos.

In reality, the group is composed of two twin firms: IT Comercio Internacional, whose activities encompass the field of equipment and extends to some consumer goods; and Imporlest, which devotes itself to food products. Both firms are headquartered in Oporto, in the same facilities, having a common representative in the Moscow office, Amilcar Castro.



### **Maconde Retreats in Order to Maintain Contract**

In order to export to the USSR it appears to be necessary to resort to intermediation on the part of IT/Imporlest. That is what has already occurred with Ramirez, who imported fish and processed it in order to later export it preserved. All through that group.

Maconde also had come to negotiate with the firm of Mr Rigor, with a view to revising contracts for the supply of manufactured goods.

Maconde has exported to the USSR since 1978, having always made its contracts directly with the foreign trade organizations of that country. This year, he did not manage to do so. As another example, the same thing has happened with Somelos in the field of textiles.

Those who do not seem to be pleased with this situation are the large traditional exporters--such is the case with the Amorim group and with Planco--who, after the decline of Maconde, feel threatened.

Planco, the "trading arm" of the Pao de Acucar group, is encountering some difficulties in renegotiating a contract for the export of shoes. As if that were not enough, its quota was reduced from \$3 million to around \$650,000 to \$700,000.

The firm has made every effort to clinch this deal, having even proposed some imports as a counteroffer. It is now representing and distributing Moskovskaya and Stolichnaya, the two Russian brands of vodka (Eristoff is British and Smirnoff is American), and is considering importing machinery for the shoe industry.

### **The Amorim Group Loses Shoes**

With regard to the Amorim group, its situation is even stranger. It can be said that it was Americo Amorim who discovered the USSR market when he began exporting there through his office in Vienna, Austria, even before the establishment of official diplomatic relations.

He always made great reciprocating efforts in his exportations, selling cork and buying chemicals, rubber, and even perfume.

However, the Corticeira Amorim is having serious difficulties in opening a representation in Moscow (IT/Imporlest already did so) and in renewing some contracts, namely with respect to footwear.

In a meeting which took place in the Soviet capital at the beginning of the month between Soviet and Western businessmen, Americo Amorim was not present.



### **Orveg Saves Himself by Being Austrian**

The firms which limit themselves to imports (through IT/Imporlest) and to representing goods manufactured in the USSR seem to have fewer problems. CD--Comercio e Distribuicao, a firm that trades and distributes farm machinery--has had excellent results in the sale of "Belarus" tractors, especially in the north of the country. Since January, it has already sold 30 units.

"Sodarca" complains of the recession, which affects the market for hunting weapons but, even so has been able to sell 30,000 Soviet rifles in Portugal since 1975.

With regard to Orveg, it continues to import machines and tools for the metallurgical industries, principally lathes for ironworks. Since it is a branch of the Austrian OWRG, it has been able to keep itself outside of the IT/Imporlest situation.

### **Aminter--Transportation Monopoly**

The transport of goods between the two countries is in the hands of "Aminter," a firm of mixed capital that operates with ships from the Soviet merchant marine.

On average, some 370 ships arrive at Portuguese ports every year, representing 3 million tons gross.

All trade goes through Aminter, with the exception of petroleum, which is transported by Soponata, given the very special nature of that good.

In any case, this indicates a certain lack of attention on the part of the Portuguese authorities, who have still not signed any shipping agreement with the Soviets, something which could end up being quite advantageous for domestic shippers.

### **"Metalsines" Negotiates Special Railroad Cars**

There is a certain optimism in the trade between the two countries, despite the new 5-year plan of the Soviet Union, which could directly affect some Portuguese exports.

It consists in the fact that this same plan moves forward with a certain amount of economic liberalization that even includes the possibility of more direct cooperation with foreign supply firms.

There are several sets of negotiations in progress, apart from the participation of "Arsopi" in the construction of the largest milk factory in Europe, which is being constructed near Moscow. This Vale de Cambra firm was subcontracted by

the Swedish firm Alfa Laval to supply the steel holding tanks. The contract provided some 2.3 million Swedish kroner to the Portuguese firm. Contacts with a view to new supply contracts continue.

"Metalsines" could begin manufacturing special train cars for the program of the re-equipping of the Soviet railroad system. Sorefame, however, may perhaps be excluded, after the failure of its established contacts some 10 years ago.

The Estaleiros Navais [naval shipyards] de Viana do Castelo continue with the construction of 16 carrier ships, some of which have already been completed and delivered.

#### Dry Law Prohibits Port Wine

The trade delegation from the Soviet embassy in Lisbon has already found that narrowing the trade flow between the two countries does not bring any advantages. It is searching for firms to represent some chemical products, household appliances, electric materials, musical instruments and shovels. If exports increase, then imports of Portuguese goods could do so as well. Simultaneously, equity participation in future "joint ventures" is being considered, especially in the textile, manufactured goods and shoe sectors.

Interest is being kept high on the Portuguese side. For those who know it, the Soviet market is quite lucrative. It is large and unexploited. Favorable prices can be obtained, through direct negotiations with the foreign trade organizations, and when all is said and done, the Soviet Union pays very well.

One exception. The imposition of a dry law on Soviet territory has frozen imports of alcoholic beverages. The consortium of Calem, Borges and Real Companhia Velha, which exported port wine, will not do so again soon.

13026/12795

CSO: 3542/135

## BRIEFS

**FOREIGN DEBT FIGURES**--The Portuguese foreign debt came to \$16,461,000,000 (about 2,506,000,000 contos) at the end of the first quarter of 1986, according to Bank of Portugal figures. In December of last year, the figure was \$16,609,000,000 (about 2,615,000,000 contos). A report drafted by the OECD and the International Payments Bank, on the other hand, indicated that Portugal's foreign debt at the end of 1985 totaled \$12,419,000,000 (about 1,840,000,000 contos). This same study further showed that foreign nonbanking credit totaled \$11,802,000,000, with \$1,182,000,000 being credit for trade operations guaranteed or secured by the public sector. [Text] [Lisbon O JORNAL in Portuguese 25 Jul 86 p 5] 5157

CSO:3542/136

## FOREIGN, DOMESTIC INDUSTRIAL INVESTMENTS FOR 1985 ANALYZED

Madrid YA in Spanish 3 Aug 86 p 12

[Article by J. Garrido]

[Text] Madrid--The investment in the Spanish industrial sector during 1985 amounted to 789.121 billion pesetas, representing a decline of 2 percent from the previous year. This percentage of variation is far less than that in the gross formation of fixed capital in the Spanish economy as a whole during the aforementioned year which, based on information from INE [National Institute of Statistics), was 13.3 percent in current pesetas.

The various subsectors into which the industrial sector is usually divided contributed to this overall result for industrial investment in different ways. Prominent because of its significance is the expansion of the investment in the iron and steel and metallurgy subsector, in the chemical industry subsector, and in machinery and equipment, according to the Annual Report on Spanish Industry, from the Ministry of Industry and Energy.

Outstanding among the causes that have most benefited the investment plans are those related to the replacement of old facilities and the reduction of manufacturing costs, with an effect of 21 percent for each. The increase in production capacity was another important factor for stimulating investment, with an influence of 19 percent; whereas in 1984 that figure was 16 percent.

On the other hand, the factors which contributed most to discouraging investment were the weakness of domestic demand, with an effect of 26 percent; the lack of individual funds, with 7 percent; and export difficulties, with 4 percent.

Foreign investment underwent a sharp increase, moving from 322.062 billion in 1984 to 412.929 last year; with a rise of nearly 30 percent; something which appears to indicate that the investors beyond our borders think that there are good opportunities in our country.

The breakdown of this increment indicates that there has been a considerable growth in portfolio investments, which rose from 36.772 billion to 82.100 billion this year, with a rate of increase of 223 percent. Direct investment

has the largest volume, with 39.8 percent, followed by that in real estate, with 38.6 percent, and that in portfolio, with 19.9 percent.

#### The Various Sectors

The ratio between foreign investment and gross national savings rose from 5.9 percent in 1984 to 6.6 percent in 1985; a figure far higher than that for the past 20 years, when it ranged between 1.7 in 1976 and 6.2 in 1973. The Ministry of Industry report notes that there is no doubt that, during these years of severe sluggishness in this area, the role of foreign investment has proven very positive, constituting an important element to dynamize our industrial sector.

The energy sector still absorbs a very high percentage of industrial investment (45.1 percent during the aforementioned year), followed in magnitude by the transportation sector (9.5 percent) and the mining sector (7.7 percent). In spite of everything, the energy sector found its investments during the year in question reduced by 15.3 percent from the figures for 1984. With respect to the figure on gross capital formation, the energy sector's investments represented 6.2 percent.

The distribution of figures for the energy sector in the different subsectors was 31.5 percent in the electrical subsector, and 46.3 percent of the total in nuclear energy; while the hydrocarbons and gas subsector represented 22.2 percent.

The investment in mining stood at over 61 billion pesetas, with an increase over 1984 exceeding 8.5 percent. Mining investments totaled 52.637 billion, and in the public sector the figure was 8.752 billion.

Iron and steel and basic metals allocated 59 billion pesetas to the sector, with an increase of 84.4 percent over 1984. The automobile industry, for its part, invested 76 billion, one of the largest amounts in the entire industrial sector. Seat, as part of the so-called "Strategic Plan, 1984-88," held first place, with 20.480 billion; followed by Renault, with 11,297 billion; and General Motors, with 10.192 billion pesetas.

The preliminary evaluations of the chemical industry indicate investments of nearly 60 billion pesetas, with a percentual increment of 12.5 percent over the preceding year. Over 32 billion pesetas was allocated to the areas of textiles, ready-made clothing, and the manufacture of knit goods. Nearly 75 percent of this amount related to companies with approved reconversion plans. Food and beverages accounted for another 30 billion, while over 10 billion was allocated to miscellaneous industries.

The value of the purchases of machinery for construction, imported plus native, is estimated at about 52 billion current pesetas; which in real terms represents a 14.6 percent increment. Only 12 billion was allocated to the construction materials sector, for its part, with a 40.2 percent decline.



The electronics industry invested 23 billion pesetas, earmarked mainly for the special microelectronics research and development program, and the formalization of agreements between Telefonica and AT&T for the creation of the Integrated Circuits Design and Production Center.

(1) INVERSIONES EN LA INDUSTRIA, INCLUIDA CONSTRUCCION				
(2) (Millones de pesetas corrientes)				
(3)	(4)	(5)	(6)	
Sectores	1985 (1)	Porcentaje sobre total	Porcentaje de variación	
			1984	1985
Energia (7)	359 950	45.10	4.97	-15.31
Mineria (2) (8)	61 389	7.69	7.24	8.66
Siderurgia y metalicas basicas (9)	59 000	7.39	53.77	84.38
Maquinaria y bienes de equipo (10)	1 246	2.66	9.20	15.30
M. terr. de transporte (11)	76 173	9.54	4.39	-8.71
Industria quimica (12)	60 000	7.52	2.26	12.51
Industrias textiles y de la confeccion (13)	32 720	4.10	-10.99	16.30
Industrias alimentarias y otras ma- nufactureras (14) (15)	30 102	3.77	-6.36	15.22
Industrias electronica e informatica	22 930	2.87	678.90	2.82
Materiales para la construccion (16)	2 075	1.51	30.54	-40.18
Construccion (17)	52 000	6.51	14.78	14.59
Industrias diversas (18)	10 536	1.34	-55.11	235.54
Total industria (19)	798 121	100.00	8.38	-1.95
(1) Cifras de avance. (20)				
(2) Incluye inversiones en el sector del carbon. (21)				
Fuente: Datos proporcionados por las Direcciones Generales del Ministerio de Industria y Energia (22)				

#### Key to Table:

1. Investments in Industry, Including Construction
2. (millions of current pesetas)
3. Sectors
4. 1985 (1)
5. Percentage of total
6. Percentage of variation
7. Energy
8. Mining
9. Iron and steel and basic metals
10. Machinery and capital goods
11. Transportation equipment
12. Chemical industry
13. Textile and ready-made clothing industries
14. Food industries and other manufactures
15. Electronics and data processing industries
16. Materials for construction
17. Construction
18. Miscellaneous industries
19. Total industry
20. Advance statistics
21. Includes investments in the coal sector
22. Source: Data provided by the General Bureaus of the Ministry of Industry and Energy

2909

CSO: 3548/76

## DEFICIENCIES REPORTED IN DEPOSIT INSURANCE FUND

Madrid EL PAIS in Spanish 27 Jul 86 p 41

[Text] Madrid—The Deposit Insurance Fund (FGD) may not be able to assume the costs of the banking crisis at least until 1997, according to the inspection made by the Comptroller's Office, from which no indications of accounting responsibility are forthcoming, as the EFE agency has reported. The essential content of the results of this auditing was announced by EL PAIS on 19 October of last year.

The report, sent to the Cortes on 30 April, which consists of about 200 pages, contains a study of the fund's financial projection in which it is claimed that, as of that date, assuming that the crisis does not recur, it will not be able to acquire a certain amount of autonomy with its assets that would enable it to operate based on a normal insurance system.

The Comptroller's Office inspection, presented by council member Ubaldo Nieto de Alba, covers the most significant period of the banking crisis, associated with fiscal years 1980 to 1983, during which the aid granted by the FGD and the Bank of Spain to entities in a state of crisis exceeded 1.188 trillion pesetas; 519.838 billion was supplied by the fund, and 669.160 billion was in the form of loans from the Bank of Spain.

The Comptroller's Office recommends the immediate preparation of a single legal text that would constitute the framework for the entity's future activity; calls upon the Ministry of Economy to regulate the operation of the fund's managing commission; and proposes that, henceforth, the Bank of Spain and the fund should not make their loans to entities in a state of crisis simultaneously.

According to legal sources, one does not infer from the inspection any indications of accounting responsibility, and there is a prominent lack of legal instruments for coping with the crisis and an absence of legislation to control the banks' solvency.

#### Control of Solvency

The report first points out that the lack of suitable legislation to control the banks' solvency has produced an ineffective model for monitoring, and a dearth

of principles of solvency, competence, professionalism, and responsibility. The other basic point in the conclusions is the total lack of legal instruments for coping with the banking crises of the type that occurred starting in 1977; which has caused efficiency in the fund's management to take precedence over control.

It also refers to discrepancies between the records of the managing commission and the documentation or procedures; a lack of standardization in the process to be followed in the sale of assets; the absence of a widespread, public offer of these assets; and a lack of consistency between the figures accounting for sales of assets and those reflected in the 1983 report.

The report shows that, as a result of the purchase of stocks and shares from companies in the process of putting the banks in a state of crisis on a sound footing, the fund has become a group of companies consisting of 494 direct shareholders and an extensive network of indirect associations. According to the report, there is a heavy indebtedness among the companies which are direct shareholders of the group to the fund, amounting to 125 billion pesetas; and this situation is marked by the lack of income return and a meager chance of recovery.

In the section on assistance, it specifies that the loans and deposits at no or low interest granted by the fund totaled 115.913 billion, and those granted by the Bank of Spain amounted to 669.160 billion; in other words, a total of 785.073 billion. Moreover, the fund has purchased assets (credits, stocks and shares of real estate) in the amount of 289.737 billion, and has assumed losses and made other contributions totaling 73.185 billion. Furthermore, there is the purchase of bank shares amounting to 41.003 billion pesetas.

According to various source, the real cost of the crisis as of 31 December 1983 may be reckoned at about 325 billion pesetas. Included as beneficiaries of the aid are, first, the Banca Catalana group, with total assistance of 344.044 billion pesetas; followed by the Banco Occidental, with 81.897 billion; and Banco Union, with 69.179 billion. Provided with lesser aid are Cadesbank and Banco de Madrid, with 46.999 billion; Banco de Levante, with 65.967 billion; and Banco de Valladolid, with 37.230 billion.

2909

CSO: 3548/73

**RESULTS OF EEC MEMBERSHIP SURVEY IN EUROPE**

Istanbul **MILLIYET** in Turkish 25 Jun 86 p 12

[Text] The pulse of the "man on the street" in Europe has been measured by **MILLIYET** on the topic of Turkey's membership in the EEC.

Today, when Prime Minister Ozal may apply once again for EEC membership, citizens of 10 nations that are in the EEC were asked, "If Turkey were to apply to become a member of the EEC, how would you react?"

The 10 countries are Belgium, Denmark, Germany, France, Italy, Holland, England, Greece, Spain, and Portugal.

The responses obtained demonstrated that only one out of three Europeans opposes Turkey's membership.

According to results of the study, close to a third of the respondents to the questionnaire indicated that they have no opinion on the subject while 22 percent state they would like to see Turkey in the EEC. The number of persons who left the question unanswered, 16 percent, was extremely high.

If the "indifferent" responses are regarded as not disapproving of Turkey's joining the economic community, the results obtained can be considered "positive." The fact that only 29 percent objected shows that governments of EEC nations will not be forced to apply much pressure to gain their citizens' acceptance if Ankara seeks membership.

The total number of persons who failed to answer the question together with those who were neutral, 33 percent, was 49 percent. It is possible to predict that some of these, at the least, would, in the end, support Turkey's membership. This, however, would be determined by structural conditions of each individual nation as well as by the Ozal government's performance in relations with Europe.

**Approving, Disapproving Nations**

Results of the study demonstrate extremely significant differences when nations are examined individually. The European nation giving Turkey's membership the greatest amount of support is Holland with 34 percent. The nation objecting the strongest is Greece. This, however, is not surprising.

As is customary, France comes closest to Greece in opposing Turkey's participation in the EEC. In Greece, 49 percent are against acceptance of Turkey in the EEC and, in France, 44 percent. In contrast, only 16 percent of the French wish to accept Turkey.

The two nations least disturbed by Turkey's potential entry to the EEC are Portugal and Spain, which became a member of the EEC this year. Merely 9 percent opposed membership. However, the percentages of persons from these two countries that did not answer the question were much higher than those from any other country.

#### Education Factor

When examining results, another point that is quite evident is that the number of supporters of Turkey's membership in the EEC increases as educational level rises. Whereas 31 percent of those with a higher education favor Turkey's membership, only 17 percent of those who have not achieved this level do.

Examining respondents by age, the group providing the most support falls between 25 and 39 years of age, with 23 percent approving Turkey's joining the EEC. This percentage falls to 19 percent among persons over 55 years of age.

By sex, males (26 percent) exceed females (17 percent) in approval of Turkey's membership.

#### Poll

On 25 April, an extensive study was conducted in 10 EEC member nations, excluding only Ireland and Luxembourg, by Dimarso, a public-opinion survey company that operates in Belgium and that is affiliated with the world-renowned Gallup firm.

Close to 1,000 persons in each country were asked, "If Turkey were to apply to become a member of the EEC, how would you react?" Six different choices were given--"strongly favor," 4 percent; "favor," 18 percent; "no opinion," 33 percent; "oppose," 20 percent; "strongly oppose," 9 percent; and "no response," 16 percent.

The results of the study were also evaluated by distinguishing between sex, age, and level of education achieved.

#### Results Exceed Predictions

[Article by Zeynep Cogus]

The MILLIYET poll conducted by Dimarso, the Belgian affiliate of the world-famous Gallup firm, uncovered errors in various predictions.

It was previously believed that several nations, those in particular in which there are large numbers of Turkish workers, would strongly oppose Turkey's entry into the EEC. The reasoning behind this prediction was clear. If Turkey were to become an EEC member, the numbers of Turkish workers in those countries could increase even further. Various problems cited by those discomfited by Turkish workers could also be exacerbated.



Despite these predictions, results of the questionnaire show that even in Germany, which employs the greatest number of Turkish workers, the percentage of those who oppose our entry into the EEC does not exceed 33 percent. In fact, the percentage falls to 25 percent in Holland.

A large proportion of the remaining respondents are disinterested in the topic. They say, "If Turkey becomes a member, it is all right. If not, that is all right, too." In other words, they do not, at the least, have a predisposition against us.

Furthermore, there are also those who support us directly, who say, "Turkey must become a member of the EEC." In Germany, 24 percent do. The percentage rises to 34 in Holland.

This situation demonstrates that Prime Minister Ozal will encounter an extremely productive atmosphere when he applies to the EEC. If, in addition to those who approve our membership, he is able to ensure that the "disinterested" can be won over, the number of supporters in Europe and in several of the nations in particular can increase.

However, there is also a need to be realistic in this area. In order to develop such public support, it is not sufficient to "dazzle" Europeans with our natural and historical attractions, nor to influence them with the "sexual strength of our men" or the "beautiful eyes of our women."

Therefore, it is necessary to convince them that Turkey's membership is in Europeans' interests. The way to do this is to explain, in a realistic manner, more about our economic potential.

No matter what efforts are made, the questionnaire shows that the group within the EEC member countries that will be the most difficult to persuade, once again, consists of the Greeks and the French.

In order for them to become supporters of Turkey's membership in the EEC, it will probably take a much longer period of time to elapse.

#### Greece Stands Alone

Ankara--EEC nations, who suspended political and economic relations with Turkey following the 12 September takeover by the military administration, will meet at the ministerial level in the Turkish-EEC joint council in September 1986 and are prepared to close the "Turkish dossier" and resume normal relations. Three months following Minister of Foreign Affairs Vahit Halefoglu's letter to EEC nations dealing with the subject of the joint council meeting, the doubts of the several nations that hesitated have been alleviated, and Athens remains the sole objector.

Meanwhile, the EEC Commission has begun to work on the subject of relations with Turkey and problems that need to be solved. In this way, it is working to clarify issues that will be brought before the EEC at the September meeting.

The most significant development of these efforts at normalization was the official visit to Turkey last week of the commission's Mediterranean officer, Claude Cheysson.

On another hand, proposals drafted by the EEC commission in regard to freedom of movement for Turkish workers will be submitted to the EEC council this week. An Anatolia News Agency report from Brussels states that, if Greece and West Germany do not circumvent it, the bill will be able to be discussed at the highest level, in the council, the EEC's top decision-making body, prior to 16 September. It is noted that the document that has been drafted recognizes, for countries such as Greece and Germany, the "opportunity to apply national laws." Within this framework, Greece, for example, will be able to disallow freedom of movement for security reasons.

#### Proposals

Proposals prepared by the commission include statutes to facilitate the procurement of housing, visas, and employment in EEC nations by Turkish workers. In accordance with a proposal, Turkish workers will be given priority if the necessary labor force in any field cannot be secured from among citizens of EEC member nations. A Turkish worker who has been employed in a labor branch for 3 years will have the right to apply for work within the same branch in another country. Those with 4 years' experience may look for work in other branches.

#### Timing

A proposal would not allow Turkish workers to benefit from totally free movement if workers of member nations cannot yet take advantage of completely free movement. Greek workers will gain this right in 1987; Spanish and Portuguese workers, in 1992. It is claimed in some circles that West Germany will embrace this proposal most zealously in the council and will work to delay giving Turkish workers the right to complete freedom of movement.

#### Responses, by Nation, to Turkey's Membership in the EEC

	Favor	No opinion-No Response (percent)	Oppose
Belgium	21	52	27
Denmark	24	39	37
Germany	24	43	33
France	16	40	44
Italy	25	44	31
Holland	34	41	25
England	17	59	24
Greece	15	36	49
Spain	20	71	9
Portugal	26	65	9
Total	22	49	29

11673

CSO: 3554/137

## EUROPEAN PARLIAMENT DENIES ECONOMIC AID

Istanbul MILLIYET in Turkish 29 May 86 p 5

[Article by Ahmet Sever: "Obstacle in European Parliament"]

[Text] Brussels--At its meeting in Brussels yesterday, the Budget Commission of the European Parliament ruled that the decision taken by the Political Commission two days ago in The Hague was "contradictory," and voted by 11 to 25 not to release the 10 million ECU (\$9 million) in aid that was due to be provided to Turkey but was turned back.

During the Budget Commission debate held within the framework of the Political Commission's decision at the Hague, Christodoulou, the Greek Conservative deputy and a rapporteur, said that it would be incompatible with logic to say "yes" to releasing the aid at the same time as the Political Commission found the democratization process in Turkey unsatisfactory. The Greek rapporteur stated that the latest European Parliament report on Turkey was the "Balfe Report," which was approved on 23 October 1985, and opposed the activation of relations with Turkey. He said: The European Parliament has adopted no other decisions in connection with political developments in Turkey since then. As long as no decision is taken at the General Assembly to amend the Balfe Report, we cannot take a decision running against it."

The Political Commission was reportedly asked for a political opinion on the latest situation in Turkey at the meeting and expressed the view that it was "Inadequate, despite certain positive developments," and that for the Budget Commission this view in principle was important.

The Budget Commission's decision not to release the aid is of an advisory nature. The EEC Council, which has the real authority on this matter, may implement the aid over the Budget Commission's opposition. However, as diplomatic observers in Brussels point out, the European Parliament has shown through this aid issue that its attitude towards Turkey is still unfavorable

13184/9190

CSO: 3554/90

## KAYA ERDEM, OZAL ON STATE OF ECONOMY

Istanbul CUMHURİYET in Turkish 23 Jun 86 p 9

[Article by economics editor Osman Ulagay in column "Economic Notes": "Foreign Exchange and Inflation Problem from Economic Summit"]

[Text] In our last column we gave the latest data on the balance of payments, monetary growth and inflation and said that it was not easy to say the economy was going well, looking at these figures. However, we did note that it might be possible to say that the economy was going well in the future, expecting that developments during the rest of the year would turn this seemingly negative picture into a positive one.

Talking with Deputy Prime Minister Kaya Erdem prior to Prime Minister Ozal's reception for the press, we found the opportunity to learn the expectations of Mr Erdem, the number two man at the economic summit. According to Mr Erdem:

--Turkey, which bought oil for \$27-\$28 a barrel last year, is buying oil this year at prices that may reach below \$9 a barrel and, as a result, the oil bill, which was \$3.5 billion last year, ought not to exceed \$2 billion. If so, that will mean a \$1.5 billion foreign exchange savings for Turkey. The effect of this will show up in the second half of the year and Turkey ought to start looking like a country with foreign exchange plenty instead of foreign exchange scarcity, and perhaps even a surplus.

--Foreign credit sources saw no importance at all in the temporary bottleneck experienced, or rather created, in March, because they had a good understanding of this situation in Turkey, and Turkey easily found new resources to overcome this bottleneck. The payment of a heavy foreign debt load in late June and early July will be realized by a similar method without causing any problem. After that, a surplus in foreign exchange revenues will create a period of plenty.

--Instrumental in the creation of a temporary foreign exchange problem, in a year when Turkey should have had plenty of foreign exchange, were certain banks and the short-term outlook of the business world and even some municipalities. Certain banks which had foreign exchange on hand refused to help out the small banks that were suffering a foreign exchange squeeze, and one reason for the temporary shortage was the low volume of "interbank" procedures.



Exporters and industrialists, meanwhile, insisted on their demand for imports within the psychology that "I may not find any foreign exchange later," and some municipalities did the same thing. What happened as a result was that import figures bloated and the foreign trade deficit grew in the first quarter of the year, while at the same time there was a foreign exchange demand piling up in the early months of the year. It will not continue this way and the importation tempo will slow down.

--Perhaps the industrialist and importer, who overloaded in imports because of the "no foreign exchange later" syndrome and who paid very high import commissions to the banks, were both harmed by this and caused unnecessary cost and price increases. When plentiful foreign exchange comes on the agenda in the second half of the year, the banks will have to reduce import commissions, and those who were making unnecessarily costly imports will see that they made a mistake.

--Banks and establishments with short-term debt will be encouraged to repay these loans to prevent creation of the problem of having higher foreign exchange resources than needed in the second half of the year. Thus an increase in the short-term debt rate in Turkey's foreign loan profile will be prevented.

--Increases in wholesale prices have been below 30 percent since April, wholly in keeping with expectations. This rate should stay around 30 percent in the summer. However, this year's price increases will be low for the spring, when increases were high last year, and the 25-percent goal for the entire year will definitely be met.

Prime Minister Ozal, naturally, was questioned later on foreign exchange and inflation. The distinguished prime minister used language a little more cautious than Mr Erdem, especially on foreign exchange, and said that certain rumors had created the impression that there was a foreign exchange problem in Turkey. He said: "Of course, Turkey's foreign exchange position is not extraordinarily comfortable, but this is normal for a developing country. The important thing is that Turkey retain its status as a country able to get foreign loans. If the rumors that are circulating damage this, then we will have cut off the branch we are sitting on."

Prime Minister Ozal reiterated that, according to the State Institute of Statistics indexes, accepted as the standard by the IMF, the annual increase was around 27 percent and the 25-percent goal would definitely be retained. We referred to the private sector habit of raising prices in some cases because they expect an inflation rate much higher than that and to the failure of lower input costs to be carried over to the consumer. We asked the question, "What can be done to discipline these excessive price hikes?" to which the prime minister gave the answer we have become used to. He said there was no question of going to price controls in order to prevent excessive price increases, that the remedy was liberalization of imports and also that more attention would be paid to the money supply after the summer to prevent pressure on prices by excessive demand.

We have devoted today's column to the economic summit views on foreign exchange and inflation. We shall try to present our own views in another column.



## GROUND BROKEN FOR ISTANBUL METRO

Istanbul GUNAYDIN in Turkish 23 Jun 86 pp 3,7

[Article by Yasar Ozay and Ogus Guven: "Istanbul Finally Gets Metro"]

[Text] President Evren broke ground for the Istanbul Light Metro System yesterday. At the ground-breaking ceremony, Evren pointed out that the Light Metro System will solve one of the biggest problems in Istanbul, the pearl of Turkey. "All of our citizens are happy, because 10 percent of Turkey's population lives in Istanbul. It is our heart's desire that all the cities have facilities like this," he said.

"Jobs Created"

Prime Minister Turgut Ozal said in his speech that the government's actions were directed to all of the people, not one particular class. "When we do one thing, it makes it possible to solve another problem at the same time. For example, jobs are created," he said.

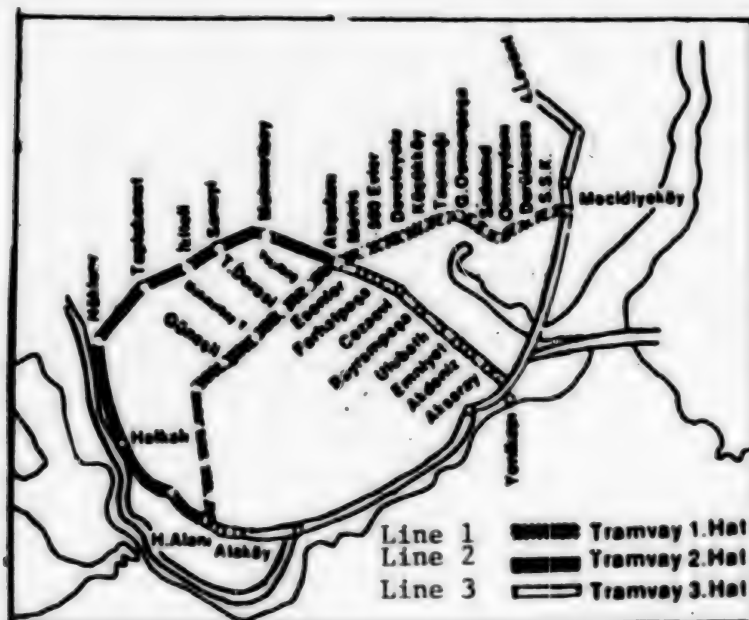
Attending the ground-breaking ceremony for the Istanbul Light Metro System were President Kenan Evren, Prime Minister Turgut Ozal and his wife Semra Ozal, Minister of State and Deputy Prime Minister Kaya Erdem, Minister of State and Mrs Mesut Yilmaz, Minister of State Mustafa Tinaz Titiz, Minister of State Ahmet Karaevli, Public Works and Resettlement Minister Safa Giray, Communications Minister and Mrs Veysel Atasoy, Industry and Trade Minister Cahit Aral, Istanbul Governor Nevzat Ayaz, Mayor Bedrettin Dalan, national deputies, other officials and a large audience.

Religious Ceremony

A religious ceremony including a sacrifice was conducted following the speeches. President Evren pressed the button to start the machines working, while Prime Minister Turgut Ozal placed the "time capsule" containing currency and various information about the present in the foundation.

The "Light Metro," planned in three stages having an overall length of 23 kilometers and scheduled for completion in 4.5 years, will begin at Yenikpai and form a semicircle to Atakoy, following a route with a high passenger concentration.

These trains, which will run at 2.5-minute intervals during rush hours, will complete the Yenikoy-Atakoy circle in 35 minutes, making 20-second stops at all existing stations. Maximum speed is 80 kilometers per hour.



The Istanbul Light Metro, for which President Evren broke ground, consists of three parts. The first section, between Aksaray and Ferhatpasa (gray area [as published]), will be 7 kilometers long and the rest 23 kilometers.

CSO: 3554/136

## STEEL INDUSTRY STATUS IN DOUBT

Istanbul CUMHURİYET in Turkish 15 May 86 p 9

[Article by Faruk Beskisiz: "Is There a Shortage of Ingot Steel or Not?"]

[Text] Whether or not the iron and steel sector of the economy is going through a shortage of ingot steel has become a puzzle. While rolling-mill operators, who fabricate ingot steel into manufactured goods, [claim that] a shortage of ingot steel has developed due to unplanned exports and ask for exports to be stopped, ingot producing firms in the private sector claim that there is no shortage at all in the market and that the claims [to the contrary] are motivated by a desire to import cheap ingots from abroad.

Major private sector firms account for nearly 2.5 million tons of the yearly 4.5 million ton ingot steel producing capacity in Turkey. In addition to producing ingot steel in their smelting works, these firms are capable of processing steel ingots in their rolling-mills. It is noteworthy that the claims that there is a shortage of ingot steel in the market are advanced by owners of medium size rolling-mill owners outside the above-mentioned firms.

The first claim that a shortage had begun in the market of ingot steel, which is produced both by the state and private sectors in Turkey, came from rolling-mill operators who process billet steel into manufactured goods. Pointing out that the rolling-mill operators are unable to obtain ingot steel as a result of the big firms' greed for exports, Recep Yazıcı, chairman of the Federation of Rolling-mill Operators, said: "The steel ingot shortage will get worse as a result of certain export commitments which the Turkish Iron and Steel Works will also undertake. In the past month, ingot steel and manufactured iron have gone up by over 10 liras per kilo. We reported the situation to our honorable Minister of State Karaevli. He said, 'If some things have gone awry, we will straighten them out.' We are asking that the domestic market be borne in mind in conjunction with exports."

Meanwhile Arif Onat, chairman of the private-sector Association of Iron and Steel Producers, said that there is no ingot shortage and referring to the invitation of rolling-mill operators to a meeting to settle the problem, said:

"Ingots may be freely imported. Anybody who wishes can do so. However, in our view, there is enough ingot steel on hand to keep Turkey's rolling-mills supplied. The desire to import cheap ingots underlies this issue. It is not fair to go ahead with import initiatives that will increase the difficulties of the iron and steel industry in Turkey."

Officials of the Turkish Iron and Steel Works, the third party in the issue, say that they try to meet requests for ingot steel in order according to deposit and application dates. The officials pointed out that the Turkish Iron and Steel Works does not maintain ingot steel stocks that can be described in the hundreds of thousands of tons and said, "We keep a balance between exports and the domestic market. We are usually able to respond to the demands submitted to us."

#### KARAEVLI ENTERS THE RING

While mutual recriminations continue to fly between private-sector iron and steel producers and rolling-mill operators, it has been noted that Minister of State Ahmet Karaevli has intervened. According to the ANKARA AGENCY, Karaevli reportedly said that he will meet with both sides to hear their problems and, if necessary, permission may be granted for the importation of iron and steel products for export, and that if there is still a shortage of ingot steel, then whatever is necessary will be done for this too.

#### DOES A SHORTAGE REALLY EXIST

While officials of Colakogly Metallurgy, a private-sector producer, state there is no shortage on the market and they are supplying the domestic market, rolling-mill operators stress that Colakoglu has raised the price three times for a total of 12 liras in the past month and that it has recently turned down rolling-mill operators' applications for the purchase of ingot. Cukurova Celik, another ingot producing firm, says in response to all this talk that it has extensive ingot steel stocks on hand and that those who had made orders earlier have now decided not to buy on their own. Cukurova Celik officials point out they have agreed to bear the cost of transporting their ingot steel from Izmir to Istanbul and they are supplying iron to the market at Colakoglu's Istanbul delivery prices, and say: "Despite this, there is no demand. Faced with this, we are considering the closure of two of our four arc furnaces."

In response, it is pointed out that domestic ingot steel prices are too high for medium-sized rolling-mills and, therefore, they want to import cheaper ingot steel from abroad. To make that possible, the medium-sized rolling-mill operators want the surcharge on ingot steel imports eliminated, it is emphasized.

13184/9190  
CSO: 3554/90

## STATUS OF SEAPORT IMPROVEMENTS

Istanbul DUNYA in Turkish 15 May 86 pp 1, 9

[Excerpts] Trabzon (DUNYA)--Speaking at a 2-day symposium on "The Crisis in Transit Shipping and Methods of Solutions," organized at Trabzon by DUNYA in cooperation with the newspaper KARADENIZ, Muammer Isikoglu, deputy undersecretary of the Ministry of Communications, pointed out that the crisis in transit transportation, particularly in the Black Sea region, arose from the reduction in Iran's foreign trade volume. He said: "There has been a 20-percent reduction in Iran's external trade destined for Europe. Also, there is a 24-percent reduction in Turkey's shipping to Iran. The crisis at this moment arises from Iran's economic problems. If we are talking of a crisis today, it is not a result of problems at home; the problems we now have had been with us for quite a while.

Answering questions at yesterday's closing session of the symposium on "The Crisis in Transit Shipping and Methods of Solutions", which was attended by a large audience, Isikoglu, said the following in summary:

"A look at the statistics shows that there is no question of a reduction in shipping to Iraq. That means that the problem does not originate in Turkey. This is a temporary crisis only. The Black Sea region through which transportation to Iran is conducted, will recover. What can we in Turkey do at this moment? That is the question we must seek to answer. What is our share, as Turkey, in existing Iran-Europe transit shipping? Studies are being conducted on this. It is clear that Iran is getting its own ports and fleets going and, in addition, looking at the Soviet Union as an alternative route. Among the alternative routes, Turkey is the most advantageous in time and costs."

Arguing that the volume of foreign trade cannot be expanded before infrastructure work has been completed, Isikoglu pointed out that communications and transportation investments have had the lion's share of investments in recent years and said, "Work is being carried out to modernize and improve both the infrastructure and superstructure of our ports. Work at the Istanbul, Haydarpasa, Izmir, Trabzon, Iskenderun and Hopa ports will be speeded up thanks to credits obtained from the World Bank for two years running".

13184/9190  
CSO: 3554/90



## COAST GUARD ENDS SEARCH AFTER REPORTED SUBMARINE SIGHTING

Helsinki HUFVUDSTADSBLADET in Swedish 29 Jul 86 p 14

[Article by Stig Kankkonen: "Munsala: Submarine Rumor Checked Out"; first paragraph is HUFVUDSTADSBLADET introduction]

[Text] Nykarleby--Several days ago the owner of a summer cabin saw a submarine in the water off of Vexala fishing harbor in Munsala, Nykarleby. He was so convinced that it was a submarine that he reported his observation to the Coast Guard. That organization sent out three smaller boats and a larger Coast Guard cutter to search. They found nothing.

In Munsala today there is hardly anyone who is willing to discuss publicly the question of submarines in Munsala waters. This despite the many people during recent years who claim to have seen them. Therefore the fact that the cabin owner, who wants to remain anonymous, reported his sighting to the Coast Guard indicates that he was very sure that it was a submarine.

But although the cabin owner was sure, he waited almost three hours before making his report. And according to what HUFVUDSTADSBLADET has learned, he made it based on information from a fisherman (who also wants to remain anonymous) after having consulted a fisherman friend. Fear of being considered foolish or at least peculiar was the cause of the delay.

The fisherman whom the cabin owner consulted advised him to contact the Coast Guard, which he later did.

In Munsala they are wondering how interested the Coast Guard really is in receiving reports of this kind. The fisherman that HUFVUDSTADSBLADET talked with related the following:

"The only thing we saw of the Coast Guard was that one person came to Munsala in a car to speak with the person who made the report. Nothing happened out on the water. What kind of a search is that?"

Such claims were rejected with a surprised laugh by Commodore Esa Salonsaari, who said that was the worst that he had heard during his many years in the Coast Guard.

"Nonsense. The person who checked out what the cabin owner saw or thought he saw came to Munsala in a car. But immediately after we received the report that evening we ordered three boats from two nearby Coast Guard stations plus one Coast Guard ship out to the area in question.

"I can guarantee that they were in the area within one hour after we received the report," said Salonsaari.

The smaller boats searched throughout the night, while the Coast Guard ship remained in the area even longer. All without results.

Nothing was seen or heard which would indicate that a submarine was in the area.

The Gulf of Bothnia Coast Guard Sector receives a handful of reports every year of alleged submarine observations. During the seven years that Salonsaari has been the commodore not a single observation has led to contact with a submarine. Nor has a submarine been seen in those waters.

"But I absolutely will not dismiss the observations as drunken talk, hallucinations or anything like that," emphasized Commodore Esa Salonsaari.

"There is no reason to doubt those who really are convinced that they saw a submarine. But one can see almost anything at sea."

Salonsaari considers it important that observations of all kinds such as that at Munsala be reported to the Coast Guard. And as quickly as possible.

"Nobody should be afraid of being considered foolish. We take all reports seriously. It is always better to report observations than not to," said Commodore Esa Salonsaari.

How that message is hitting home in Munsala remains to be seen. Today everybody--regardless of whether they have seen or know anything or not--is tending to their own business. Talk about submarines is far from popular.

Naturally that does not mean that people are not questioning what is really going on. The oil harbor at Kantlax is something of a mystery. But to get a closer look at it, or even get information about how deep the channel is there requires clearance from the Ministry of Trade and Industry. Unauthorized visitors there are resolutely stopped. If they do not believe the "Keep Out" signs they are escorted out by those who work in the harbor. HUFVUDSTADSBLADET learned that last Monday.

In Munsala they are wondering whether the harbor can have anything to do with the possible or probable submarine sighting.

9287

CSO: 3650/282

## PAPER COMMENTS ON IMPACT FOR NORDICS OF USSR MILITARY BUILDUP

Helsinki HUFVUDSTADSBLADET in Swedish 26 Jul 86 p 2

[Editorial by Rafael Paro: "Security in the Nordic Area"; first paragraph is HUFVUDSTADSBLADET introduction]

[Text] The Soviet perception is that Norwegian concern over increased activity on the Kola peninsula is groundless. The activity is a part of the Soviet-American balance, confirms Rafael Paro. A more artful question is the Soviet need to keep a regional watch on the strategic potential.

In a series of articles HUFVUDSTADSBLADET has presented the views of experienced Soviet observers about developments in Finland and the Nordic countries as a whole. The statements which can be taken into account are partly analyses of security policy developments, and partly statements and interpretations which Soviet spokesmen have obviously made to downgrade and deemphasize Soviet interest in the subject.

Analyses of the situation are obviously of great importance. For several years now in the Nordic debate there has been a discussion of to what extent new weapon technology (for example cruise missiles) and economic resources (for example oil and economic zones at sea) have changed the security policy climate in North Europe.

Since the beginning of the 1980's Nordic observers have found it necessary to revise the old representation of North Europe as a peaceful idyll. Although during the period of lowered tensions in the 1960's and 70's people almost unanimously believed that a crisis could not begin in this part of the world, now they look rather differently at the situation.

The fear that the Nordic area could unfortunately become the stage for the beginning of a new international crisis has been expressed in the Swedish press and Norwegian security policy discussions. When the chief of the Swedish Defense Staff, Vice Admiral Bror Stefenson, visited Helsinki in November of last year he told of the changed Swedish viewpoint: from having been on the strategic periphery, the Nordic countries are now in the center from the viewpoint of the major powers.

Stefenson said that he did not believe in a Central European problem independent of conflict here in the north. But he said that he could very well imagine that military measures and countermeasures in a stepped-up crisis situation could very well begin in North Europe. Sweden's Foreign Minister Sten Andersson described the situation as one in which the near security policy environment has changed. The North European area has attained greater importance. This had led to greater strains for Sweden, mainly in the form of violations of the country's territory, maintained Sten Andersson in Lund in November.

It can be said that the basis for the change is partly the Soviet naval base area on the Kola Peninsula and partly the trans-Arctic air routes between the American and Soviet areas for intercontinental bombers and missiles.

The increasing Soviet presence in the Norwegian Sea, investment in strengthening the northern part of the Leningrad Military District and the reorganization and modernization of air defense forces on the Kola Peninsula are inputs in Soviet readiness for continental warfare. In other words it is the United States that the Soviets are thinking about and not the "regional" Nordic countries.

The Soviet buildup of the strategic defense capacity was motivated by the United States strengthening its naval presence in the northern ocean areas. It has, as they say in the Soviet Union, become a question of the shifting of the parties.

In one of the HUFVUDSTADSBLADET interviews the Soviet spokesman said that Norwegian concern over increased activity on the Kola Peninsula is unfounded. The Soviet Union must increase its potential, but the measures are not at all aimed against the Nordic countries.

People in the Nordic countries have largely been satisfied with this message for a long time. For example we have assumed that the strategic nuclear weapons which the Soviets have on the Kola Peninsula are not intended for the Nordic countries. They are an input in the so-called central balance between the United States and the Soviet Union. Thus in the Nordic discussion about a Nordic nuclear weapon-free zone it has more or less been accepted as an inescapable fact that nuclear weapons are going to remain on the Kola Peninsula.

There is a new and worrisome element which can probably be deduced from analyses in the United States and NATO. That is that everything indicates that the sum of all the investments in the northwestern Soviet Union, although they may be primarily motivated for intercontinental warfare, indirectly mean that the Nordic countries are increasingly isolated by Soviet military strength.

In these western circles they are advancing the theory that in order to defend their strategic nuclear submarines on the Kola Peninsula against NATO attack the Soviets must strengthen their regional potential, and their "sphere of interest" extends over the northern areas of Finland, Sweden and Norway.

This need regionally to protect their strategic potential is said by the Soviets to lead to a desire that the Nordic "balanced rules of the game" gradually should be displaced by a greater Nordic understanding of Soviet interests.

Against this background the statement by the Latvian vice foreign minister, Nikolai Neiland, to HUFVUDSTADSBLADET about the futility of adhering to neutrality in the nuclear age is interesting: "The best guarantees for security are attained through political means. When a major power such as the Soviet Union constantly demonstrates a readiness to cut down, why should that not apply to a country such as Sweden," said Nieland, and added, "What can Sweden or the others do with a military in the nuclear era we live in?"

To that reasoning it can be added that if Sweden--or any other country--does not guard its territorial integrity itself, sooner or later the task will fall to some other power. Such a transfer, in one direction or another, would radically change the security policy picture in the Nordic countries.

9287

CSO: 3650/282



## PAPANDREOU, CHIRAC REPORTEDLY TALK ABOUT MILITARY PROCUREMENTS

Athens PONDIKI in Greek 4 Jul 86 pp 6-7

[Text] On 26 June in The Hague, there was a high-level meeting which may prove to be one of the most significant events of the Council of Twelve--for Greece. We are talking about the very interesting, private talk of Papandreou and Chirac.

This meeting was accomplished at the initiative of Papandreou, who wanted to ascertain, first hand, what are the intentions of the new rightist French government as concerns its relations with Greece and Turkey, following the official statements--which were particularly flattering to Ozal and the Ankara government--made by the French prime minister during Greek President Khristos Sartzetakis' visit to Paris. It started out as a tete-a-tete meeting not planned to last more than 20 minutes and, in the end, it continued for about an hour and fifteen minutes!

Chirac informed Andreas that what the Greeks interpret as a pro-Turkish turn of French foreign policy is nothing more than a systematic "recalculating" of French-Turkish relations which have fallen to nothing since 1981 when the socialists formed their first government. It is well-known that France has been trying in recent years to be christened a "de facto" leading power in the Mediterranean, surpassing the British and Italians who are moving fast themselves. He also wants to get a foot in the huge and unexploited market which Turkey is with its 50 million inhabitant-consumers.

Papandreou knows all these things and has tried to turn them (as far as they turn, of course) in Greece's favor. How? Does France want investments? It can make them in Greece. The Athens government will see to taking all those measures needed to create a favorable climate for French investment interests. France wants to sell its weapons? Greece can again be a leading customer in the south-eastern Mediterranean; it has already committed itself to buying the new Mirage 2000 and it is ready to negotiate to cover its large needs by purchasing and procuring other French-made munitions and weapons systems. Turkey is not able, at this moment, to become a better customer than us for France in the defensive sector.

Chirac understood this very well in The Hague and this was the essence of the Chirac-Papandreou meeting, not the various blah-blah about...spreading the teaching of French in Greece, as the two prime ministers had agreed to say to journalists after their meeting!

There are two more elements about the satisfactory development of Greek-French relations:

1. The first is the stance vis-a-vis Greece of the socialist president of France, Francois Mitterand, who, as is known, is at loggerheads with his rightist prime minister, despite the act these two play to the outside world concerning a supposedly unified French foreign policy. Mitterand himself told Papandreou to come find him whenever he (the "he" is Chirac) creates problems for Papandreou and he will see to solving them in a way which is to our interest!

2. The second is Chirac's very "tight" political advisor, French himself, of course, but of Armenian descent and one of the leading personalities of the Armenian lobby, which is very strong in France. Whenever this man hears the word "Turkey," he runs discreetly to the nearest bathroom to throw up. We have it good from that standpoint....

These are in the background from The Hague and the Papandreou-Chirac talk. Note the date: Thursday, 26 June....

9247

CSO: 3521/212

## BRIEFS

ARMS TRAFFIC TRANSIT POINT--The widespread reports of an increase in arms traffic to Iran and Iraq through Portugal is creating a scandal in diplomatic circles. At least three major groups are operating on a large scale, as SEMANARIO began reporting more than a year ago. In some cases, foreign aircraft have brought weapons from abroad (specifically, from Latin America) for reexport by air and sea (in cargo vessels supposedly bound for the Orient). Portuguese enterprises and technicians of various nationalities are also participating in these operations. Israeli military experts, for example, are often involved in armaments consignments to Iran. The resurgence of these activities (to which is added our own domestic production of weapons for this theater of war) has recently created the beginnings of a quasi-diplomatic altercation in which the Portuguese authorities had to intervene. [Text] [Lisbon SEMANARIO in Portuguese 26 Jul 86 p 64] 5157

CSO:3542/136

## NUMBER OF MILITARY INSTALLATIONS IN MADRID TO BE REDUCED

Madrid EL PAIS in Spanish 27 Jul 86 p 22

[Excerpts] Madrid—Madrid may be described as a military city. Its position as capital of the state and its location as a center of Spain and the country's leading communications link, as well as the fact that the first three managers of the city's urban development were military, have caused an agglomeration in the city of all types of operational offices, administrative centers, command centers, academies, and schools, not to overlook the general headquarters of the branches of service, the Military Headquarters, the Military Government, the Higher Center for Defense Studies, and the ministry itself.

The crowding of buildings for military use in Madrid's urban center and in towns on the outskirts is beginning to prove inconvenient for both the city councils and the military themselves. A result of these coinciding interests has been the agreements signed with the Defense Ministry by the city councils of Madrid, Getafe, and Mostoles, which have entailed a retrieval of military installations by the cities in return for the transfer of other land far removed from the urban centers and facilities for building housing in which the many militia professionals assigned to Madrid would be lodged. At present, work is under way on similar agreements relating to the Leganes and Torrejon de Ardoz installations.

The list of the military offices would be almost endless. The installations are arranged in two virtually parallel circles: the first, located in what had previously been the suburbs and is currently the capital's urban center (barracks on the highway from Extremadura, Villaverde, Vicalvaro, Canillejas, and Fuencarral); and the second situated in the metropolitan area towns (Beadilla del Monte, Pozuelo de Alarcon, Mostoles, Leganes, Getafe, Torrejon de Ardoz, Alcala de Henares, San Sebastian de los Reyes, and Colmenar Viejo, to cite the most important ones).

Adjoining the large operational barracks and command centers there is scattered throughout the entire province, particularly in the capital, a constellation of less sizable administrative installations, little known to the public, ranging from the Regional Veterinary Headquarters to the satellite tracking station at Pinuecar, or the Corporals School at Guardarrama. All of this has caused the military presence in Madrid, and hence the relations with the civilian authorities, mainly in connection with urban development issues, to be constant.

## Castellana Axis

According to a report prepared by the Defense Ministry, Madrid, together with Zaragoza, Murcia, and Cadiz, is the province offering the largest percentage of land with construction; in other words, in numbers and area of buildings. Madrid, with Sevilla, Cordoba, and Cadiz, is also exceeded only by Zaragoza and Albacete as the province with the largest land mass in the state allocated for national defense.

In its municipal district, there are military installations occupying large expanses of land. Prominent is the axis of Extremadura Avenue and Highway where, in addition to the Cuatro Vientos [Four Winds] Airfield, there are the No 1 Support Service Group, the Military Headquarters, the 11th Mechanized Brigade, the No 71 Artillery Regiment, the Cavalry School, the Army Geographical Service (where the trial of the 23-February coup perpetrators was held), the Wad-Ras Mechanized Infantry Regiment, the Joint Engineers Regiment, the Engineers School, the Air Force's Sports Zone, the enormous La Dehesa Military Sports Complex, and several military housing developments.

The entire area is also crossed by a railroad for exclusive military use. It may be claimed that the right side of Extremadura Avenue, starting at Campamento, has been contingent, insofar as its urban growth is concerned, on the presence of the military installations.

The military presence is no less in the rest of the municipal district, although it is more scattered through the urban center: Adjoining the land occupied by the Brunete Armored Division on El Pardo, there must be noted the large quarters of the No 11 Field Artillery Regiment, on Vicalvaro; the Central Automotive Station, on Villaverde; the Automotive Regiment, on Canillejas; the Marine Barracks at the end of Arturo Soria; the Central Support Service Warehouse on Ciudad de Barcelona Avenue; and the Central Military Health Station, on Carabanchel, to name a few of the major ones.

## Paymasters Offices

Also prominent is the concentration of buildings and premises for military use lined up on the El Prado-Cibeles-Recoletos-Castellana Avenue axis, beginning with the Recruitment Group on Maria Cristina Avenue, near Atocha; the Navy and Army General Headquarters bordering Plaza de la Cibeles; the Army Higher School, on Recoletos; and the CESID [Higher Center for Defense Intelligence] and the Defense Ministry buildings per se, along Castellana.

Continuing northward, on the Colmenar Viejo Highway, we would find the extensive installations of the Goloso barracks, the headquarters of the 12th Armored Brigade, and the headquarters of the Asturias Mechanized Infantry Regiment. Also to be noted are the Air Force General Headquarters, at Moncloa, and the Military Government, on Mayor Street; not to mention the Civil Guard academies, quarters, and command installations.



In the Madrid capital area there are 14 military schools and academies: the already mentioned Higher Army School, that of the Superior Commands; that of the Staff, the Army Polytechnical School, that for legal studies, the one for motoring, those for engineers, health, health ladies, pharmacy, veterinary science, the Military Special School, and the Polytechnical Institute. It would be difficult to list the many offices of all types, large hospitals, pharmacies, military chaplain services, facilities for the disabled, and for musical bands, paymasters offices, etc., which have their premises in the capital.

#### Land for Idleness

So many military assigned to Madrid have caused a concentration in the city of many housing complexes also inhabited by them; some of which are attached to the barracks, such as those at Cuatro Vientos or Vicalvaro. And they have their own individual features (one-story small cottages with entrance arches and a garden), which immediately distinguish them from the housing in their respective neighborhoods.

Others are more blended in with the rest of the urban fabric, as in the cases of the "Las Verduras" building (the work of the vanguard architect, Fernando Higueras) on San Bernardo Plaza, also known for the profusion of vines hanging from the balconies; or the group of buildings bordering Manzanares, most of which originated from that fabulous speculative operation mounted in connection with the channeling of the river, headed by the Madrid athletic stadium.

At present, the quarters remain submerged and surrounded by buildings for housing, and that has brought about some rather ridiculous situations, such as that caused by the soldier on guard at the barracks guardpost on Camillejas, who asked the residents not to park their cars next to the curb because it was a military zone. The barracks have lost mobility and, hence, the necessary operativeness for troop movements.

The military, in turn, have serious problems in providing housing for the thousands of officers and chiefs assigned to Madrid. There is the situation whereby the military have their requirements for health, food and clothing quite satisfactorily met; but their salaries are not sufficiently large for the living standard demanded by a city such as Madrid, and the money suffices poorly for them when it is time to rent an apartment.

Paradoxically, the ones responsible for negotiating with the Madrid City Council and Community on the transfer of barracks outside the urban centers are two former municipal urban development managers: Juan Valverde, heading the Defense Infrastructure Management; and Valentin Barriga, general director of the same agency.

#### Pioneers of Exchange

The time frame of the current General Plan for Urban Layout of Madrid, 8 years, is insufficient to undertake an urban renewal of that magnitude, not to mention the financial cost of the operation which would be very high.

The urban development manager added: "What is obvious is that the city council is interested in attaining these goals, and that the most sensible and beneficial thing for everyone would be to have the military transferred to a different location. It is an issue to which we shall have to return later on. It has not been dropped by any means. The 1981 agreement was an important first step, which has also set the pattern for this type of negotiation," declared the urban planning head, Enrique Bardaji, noting in conclusion: "In the management office, we quite often receive queries from other city councils facing similar problems. We were the pioneers."

Key to Map:

1. Ministry of Defense
2. Army General Headquarters
3. Navy General Headquarters
4. Air Force General Headquarters
5. Higher Center for Defense Intelligence
6. Recruitment Group
7. Army Higher School
8. Military Government
9. Cuatro Vientos Airfield
10. No 1 Support Service Group, Military Headquarters, 11th Mechanized Brigade, No 71 Artillery Regiment, Cavalry School, Army Geographical Service, Joint Engineers Regiment, Engineers School, La Dehesa Air Force Sport Zone
11. Transmissions Quarters, El Pardo
12. Brunete Armored Division, El Pardo
13. No 11 Field Artillery Regiment, Vicalvaro
14. Central Motorized Station, Villaverde
15. Motorized Regiment, Canillejas
16. Marine Barracks
17. Central Support Service Warehouse
18. Central Military Health Station
19. Gomez Ulla Military Hospital
20. Air Force General Hospital
21. 12th Armored Brigade
22. Asturias Mechanized Infantry Regiment
23. Leading Military Installations
24. Municipal District of Madrid

(23)

### Principales Instalaciones militares

1. Ministerio de Defensa
2. C. G. Ejército
3. C. G. de la Armada
4. C. G. del E. del Aire
5. CESID
6. Agrupación de Encuadramiento
7. Escuela Superior del Ejército
8. Gobierno Militar
9. Aeródromo de Cuatro Vientos
10. Agrupación de Intendencia nº 1  
Capitanía General  
Brigada Mecanizada XI  
Rgto. Artillería nº 71  
Escuela de Caballería  
Servicio Geográfico del Ejército  
Rgto. Mixto de Ingenieros  
Escuela de Ingenieros  
Zona deportiva del Ejército del Aire  
La Dhesa
11. Cuartel de Transmisiones. El Pardo
12. División Acorazada Brunete. El Pardo
13. Rgto. Artillería de Campaña nº 11. Vicálvaro
14. Parque Central de Automovilismo. Villaverde
15. Rgto. Automovilismo. Canillejas
16. Cuartel de Infantería de Marina
17. Almacén Central de Intendencia
18. Parque Central de Sanidad Militar
19. Hospital Militar "Gómez Ulla"
20. Hospital General del Aire
21. Brigada Acorazada XII
22. Rgto. de Infantería Mecanizada Asturias

(24)

Término municipal de Madrid

2909

CSO: 3548/73

## CHANGES IN VOLUNTARY MILITARY SERVICE ANNOUNCED

Madrid DIARIO 16 in Spanish 30 Jul 86 p 6

[Text] Madrid--According to an order from the Ministry of Defense, published yesterday in the "Official State Bulletin," Spaniards rendering voluntary military service will be able to enlist for a period of time between 18 months and 3 years, and will be entitled to social security benefits.

The order, which regulates the volunteer system of military service, in accordance with the Military Service Law of 1984, "entails a new, significant progress in the course of action undertaken to heighten the units' operative-ness," in the three branches of service, according to Defense Ministry sources.

The Defense Ministry sources added that, with this system, the units will be provided with troops "who, because of their specific training and the longer period of service in the ranks, will ensure a better performance among the forces deployed and improved use and conservation of equipment."

2909

CSO: 3548/76

## BOOK SEES SUBMARINE VIOLATIONS AS PART OF USSR OVERALL PLAN

## Norrland Sighting Reports Discounted

Stockholm DAGENS NYHETER in Swedish 24 Jul 86 p 6

[Article by Bengt Falkkloo: "No Result From Submarine Reports"; first paragraph is DAGENS NYHETER introduction]

[Text] All the reports and alarms this past week about foreign submarine activity off the southern coast of Norrland have now been cancelled by the analysts of the Defense Staff. Neither photographs, damaged nets, tracks on the bottom nor observed "antennas" have given any proof.

Last Thursday a freelance photographer reported that he had taken pictures of a foreign submarine off the Halsinge coast.

These pictures show a black object sticking up above the surface of the water.

"The pictures are not decisive," said Hans Gustaf Wessberg of the Defense Staff. "Our analysts believe that they are not sharp enough. There are no details and no reference points."

The submarine analysts have searched for characteristics in the photographs which could resemble those in photographs of submarines or underwater vehicles of other navies.

## Without Results

At first the photographer and his colleagues on the boat explained that they had followed the object for awhile.

"Their sketches and oral descriptions do not fit the photographs in such a way as to constitute proof. Therefore the final result is about zero. Which is worse than if we could say definitely submarine or not."

During the following days several reports were received of mysterious events and discoveries in the area around Alno and Sundsv 11.



A fisherman reported that he had seen mysterious tracks on the bottom which resembled caterpillar tracks. Personnel from KA [Coast Artillery] 5 at Harnosand dove in the area.

"Nothing was found," said Wessberg. "Either the tracks filled with mud or the fisherman was mistaken."

#### Nets Destroyed

Another fisherman explained that 15 of his whitefish nets were destroyed. It was immediately suspected that a foreign submersible had destroyed the fishing equipment.

"We have investigated the nets and decided that they were cut. Probably that resulted from an attempt to steal them," said Hans Gustaf Wessberg.

One person also reported a four-part metal stick which was found on a beach in the vicinity of the area in question. At first it was said that the object resembled some sort of an antenna.

"It is not an antenna, but probably a folding tent stake or a pipe for a boat canopy."

There have therefore been four different reports of foreign submarines off the southern Norrlands coast this past week. But without results.

"Yes, and that is good," they say at the Defense Staff. "Just because the reports have had no results the public should not stop making them--they should call us as soon as they see something mysterious in the water. All reports are welcome."

#### Paper on Espionage, Violations

Stockholm SVENSKA DAGBLADET in Swedish 19 Jul 86 p 2

[Editorial: "Forceful Means"]

[Text] Reports of submarine violations of different kinds and intelligence activities against our country are still arriving. Perhaps all the information is not equally credible. But even after the chaff has been sifted out, enough remains to cause deep concern. The calm has not settled over our Swedish waters. Foreign agents continue untiringly to map our military secrets. Soviet or Soviet-controlled spies under diplomatic cover carry on as usual.

The social democrat government long ago assumed a submissive attitude toward these obvious threats against Sweden's peace and freedom. Serious violations of our territory are kept secret or toned down. When writers disclosed the extent of East diplomatic spy activity, leading government representatives went on the attack--not against the spies, but against those who revealed the activity. The same syndrome was apparent in the proceedings against SVENSKA

DAGBLADET because the paper described various types of active Soviet war plans.

The leader in this regard was the former prime minister. With his noteworthy statement that violations "have become a part of modern information collection" and false allegations about continuous violations of the United States' coast he tried to minimize the importance of what is going on in our inner waters.

In a conversation with AFTONBLADET reporter Dieter Strand on Faro last summer Olof Palme declared positively that "no more submarines are coming." This belief also stamped the government's famous statement last fall: "We have created respect for our decision to protect our country's territorial integrity with all available means."

Two weeks later the OB [Supreme Commander of the Swedish Armed Forces] stated that Sweden had been subjected to new, serious violations by submarines. The country's supreme commander forcibly contradicted the government's security-policy declaration. But the prime minister untiringly continued to follow his line despite the military leadership of the country showing in new reports that the war planning was continuing.

The change in the office of prime minister meant a stiffening of the message from Rosenbad. But in other departments they continued down the usual track. When the OB several weeks ago confirmed that foreign submarine activity "probably took place in the Stockholm archipelago in the beginning of June," there was silence from the Defense Department. "The published report calls for no special comment from me," was all that Defense Minister Roine Carlsson said.

It is amazing that a defense minister has nothing to say when the supreme commander reports new violations of our territory. The defense minister is acting contrary to his duty. Instead of forcefully taking steps in this serious situation and calling for increased resources, Defense Minister Roine Carlsson is contributing to the process of familiarization. He continues to become an ever greater misfortune for Swedish defense and security policy.

We will never in any area create respect through compliant dealings with foreign intruders and spies. Furthermore we must have forceful means with which to meet the threat. Yesterday it was reported that a civilian motorboat followed foreign submarines for one and one-half hours off Hudiksvall. The event is to be studied by naval analysts in the usual way.

But it is noteworthy that the motorboat was in radio contact with military authorities the entire time without the authorities having any resources to bring to bear. Sweden truly has no acceptable defense when hunting submarines becomes a task for pleasure boats. No foreign Navy is impressed by that kind of border defense.

## Bildt Reviews Book on Violations

Stockholm SVENSKA DAGBLADET in Swedish 21 July 86 p 10

[Book review article by Carl Bildt, Conservative Party MP: "The Best Book So Far About the Submarine Crisis"; first paragraph is SVENSKA DAGBLADET introduction]

[Text] William Agrell's book "Bakom ubatskrisen" [Behind the Submarine Crisis] (Liber) is a well-informed account of the strategy behind the violations of Swedish territorial waters. These violations mean that Swedish neutrality policy must be analyzed from new points of departure, and that there is no real reason why it should be respected in wartime when it is not in peacetime.

On a very central point developments have shown that William Agrell's reasoning in his book "Behind the Submarine Crisis" is correct: submarine operations against Sweden are continuing. With its increasingly mysterious formulation the OB has, in his latest quarterly report, spoken of operations against the Stockholm archipelago, along the west coast and off the Norrland coast during recent months.

The submarine crisis, as William Agrell calls it--not without justification--has marked the Swedish security policy debate ever since Soviet submarine 137 went aground on Torum Rock late in the evening of 27 October 1981.

The crisis has been profound.

On a technical level it has revealed large shortages in the naval defense system which have been the result of the 1970's tight defense policies.

On an operational level it has demonstrated the difficulties for a defensive power which thought that peace is peace and war is war in a situation which has obvious elements of war as well as peace.

And on a political level it has disclosed gaping holes in our security policy analysis, such as a significant unwillingness, in the choice between verifiable reality and the chart drawn by ourselves, to realize that in spite of everything it is reality which is decisive.

William Agrell's book represents the first serious attempt fully to discuss the different aspects of the submarine crisis. Previously Orjan Berner in his book about Soviet policy toward the Nordic countries produced some political reflections on the subject, while Ingmar Myhrberg and Anders Hasselbom, in some deplorably biased books tried to show that everything is wrong or nothing at all.

Every discussion of submarine violations and what they mean must begin with an effort to establish what really happened. The pattern of the violations, and the changes in this pattern over time, are and will continue to be of decisive importance for the conclusions which will be drawn later.

Agrell's interpretation of the pattern and its changes can be seen as a development of the reasoning of the Submarine Commission in the spring of 1983. It is worth noting that it has stood up so well.

Agrell widens the commission's reasoning primarily by means of important retrospection. Mainly because of time limitations, the commission could not examine reports of violations before 1962. Now Agrell adds an interesting and important analysis of reported violations mainly during the 1950's.

Agrell's developed perspective would have been even more interesting if he had devoted greater effort to describe and analyze Soviet submarine operations in Swedish waters during the summer of 1942. He mentions them in passing, but he devotes much greater analytical effort to the less interesting Catalina crisis of 1952 and the different aircraft incursions which Sweden observed during the 1950's.

Soviet submarine operations in Swedish waters in the summer of 1942--mainly in the waters between Vastervik and Landsort--were skillfully conducted. Furthermore when one considers the courage shown by the crew when they took their submarines through the German-Finnish submarine blockade across the Gulf of Finland it is not remarkable that the Russians themselves speak of "heroism" in that connection.

It is not difficult to see the military motives for these operations. They wanted to attack the German lines of transportation to Finland. The fact that the torpedoes were aimed at Swedish ships in Swedish waters was of less importance.

The diplomatic handling of these operations shows obvious similarities with the situation in place during recent years. Swedish diplomatic protests included a little reservation that perhaps the Soviet submarines had not been provided with sufficiently clear political directives--an insinuation which was sharply rejected. Sweden's actions were presented in Soviet propaganda as a departure from neutrality, and the result of conspiracy by certain "circles" to disrupt Swedish-Soviet plans, etc.

Confirmed submarine violations during the 1950's, 1960's and the greater part of the 1970's appear to have followed a definite pattern. Individual larger submarines operated against different areas of the coast, and from time to time probably made deep penetrations of the type discovered in 1981.

But thereafter Agrell sees a changing of the pattern which he dates at 1977-78, and which I, with somewhat less precision, would describe as a successive change during the end of the 1970's. That was the new pattern--larger coordinated operations, utilization of minisubmarines and other underwater vehicles, greater frequency of operations--which was described by the Submarine Commission in connection with its work following the so-called Harsfjarden incident in October 1982.

It is these operations which later continued during the 1980's. Agrar writes about a largely unchanged pattern through 1985. It now appears that his



prediction of a continuation also through 1986 is being confirmed. That does not surprise me.

The most interesting aspect of this pattern is obviously the change which took place during the latter part of the 1970's and which with the "intermediation" of the grounding in 1981 and the Harsfjarden penetration in 1982 led to the "submarine crisis." There must have been reasons for this, and these reasons are obviously very important in evaluating Sweden's security policy situation.

Even on this point Agrell agrees with the interpretation of the Submarine Commission when he sees these incursions as a link in operational preparatory activity by the Soviets. And speaking indirectly to those participants in the Swedish debate who have tried to brush off the problem by suggesting that "militarists plan for almost anything," Agrell points out that operational plans are not normally carried out for more than a rather small number of alternatives. The well-informed surely remember the Schlieffen plan and its irresistible logic.

With this viewpoint the conclusion cannot be avoided that our coasts were assigned a changed role in Soviet war planning during the middle and toward the end of the 1970's. And this increased importance of our coast will, in my opinion, be seen as a part of the increased importance of operations directed against different parts of the Scandinavian peninsula.

So far I have no objections to Agrell's analysis. But when he claims that there is hardly anything "exceptional" in a major power conducting this type of operation, and he exemplifies this with American intelligence operations against the Soviet Union, there is reason to protest.

Even though the borderline is somewhat flexible, there is a clear difference between the type of intelligence operations utilizing submarines which Agrell points out, and the regular operational education and training on the territory of foreign states which is carried out against Sweden.

In a different connection it has been brought out in the press that similar submarine operations have taken place against other countries. When one goes through the reports, that hardly proves to be correct. The only other country which has been exposed to operations of this type and extent is Norway, and those operations are in all probability a part of the same strategic whole.

During the decade following the war the neutrality policy has lulled us into a sense of security which to some extent has been damaged by the submarine operations.

If a power conducts these operations against us in peacetime, is it especially likely that they will stop if war breaks out in our vicinity and we declare ourselves neutral? The answer is so obvious that even the question seems dangerous and forbidding.

Agrell's discussion of the problems this raises for our neutrality doctrine should really deserve a more full discussion. It is not free of objectionable



features. It was a bitter experience for Belgium to discover in 1914 and 1940, as well as Denmark and Norway in 1940, that it is the strategic demands which control the actions of major powers in critical situations, rather than respect for a certain doctrine of neutrality.

"We should not pin too great hopes on the possibility of a neutrality policy functioning as a life-saving buoy in a major power conflict," concludes Agrell cynically.

But this certainly does not mean that this policy has lost its value. Its peacetime importance for stability in the northern European area is denied by no one--and despite everything we live in a time when peace is more likely than war when we try to see into the future.

To that should be added that neutrality will always give us a certain extra possibility to remain outside a war in our vicinity. That this possibility has probably declined does not reduce the value of that which remains. Perhaps even increases it. And even though against the background of analyses such as Agrell's we can draw this conclusion it does not mean that this circumstance will exist forever.

That which becomes strongly apparent from an analysis such as Agrell's is the importance of military defense to the prospects of success for our neutrality policy in such a situation. The most important resource of our neutrality policy in critical situations is our strength as viewed by the outside world--manifested also in our capability to intervene in peacetime against invaders.

Agrell himself draws some gloomy defense policy conclusions from his analysis when he prescribes a "transition to regression", to a defensive doctrine for Swedish defense.

Many interpretations of the alteration of Swedish defense policy which took place at the end of the 1960's and the beginning of the 1970's have circulated, but Agrell is the first as far as I know, and probably the last, to imply that it would mean a transition to an offensive doctrine. On a number of earlier points in his book Agrell is strong enough to widen his former errors in the latest submarine debate--here is a point which should lead to a corresponding commentary.

Agrell's book is not totally objection-free and it is certainly not the last word. But it is the best book so far on this important subject.

9287

CS0:3650/280

## CONSERVATIVES DEMAND ANNUAL INCREASES IN DEFENSE BUDGET

Stockholm SVENSKA DAGBLADET in Swedish 6 Jul 86 p 6

[Article by Willy Silberstein: "Conservatives' Terms for Defense Decision Include Annual Increase in Appropriations"; first paragraph is SVENSKA DAGBLADET introduction]

[Text] The Conservatives are placing conditions on agreeing to how much money the defense should get in the next 10 years: The appropriation must be increased each year. On the other hand the party will compromise on how much larger the appropriation should be, said the party's defense spokesman, Carl Bildt.

The long legs are up on the desk in his room in the Riksdag Building. On the desk is the SAS ticket from his last trip abroad, and the word processor is blinking a text with some thoughts on defense policy.

He likes to talk and write about all the political questions of the day, with one exception: Who will succeed Ulf Adelsohn as chairman of the Conservative Party? He urgently refers that question to the Nominating Committee.

#### Different Frames

In the Defense Committee the parties have shown their cards by investigating different alternatives. The Social Democrats and the Liberal Party have adopted the line that defense should have a fixed frame. Adjustments can be made later.

The Conservatives and the Center Party want to go back to the model from the 50's and 60's with an annual growth in the defense appropriation.

The Conservatives' target has been that defense should have an increase of two percent per year. In hard cash that means 500 million more every year in a budget of 24 billion.

"We are open for discussion of the percentage figure--up or down," said Carl Bildt.

## Doubtful Model

The supreme commander has been more interested in increasing the defense appropriation by three percent per year for five years, followed by five years without further increases.

The difference is not so great if the two programs are extended for 10 years, Bildt said, even though he argues with the supreme commander's model.

"Of course we have no acute risk of war. Instead we need to build up our defense over a longer term."

Even though the Conservatives can conceive of a compromise between the two percentages, there is a principle not to retreat from, and that is the annual growth of the defense appropriation.

"Anything else should be unacceptable. If Sweden did not follow that line we would really fall behind other countries in the ability to defend ourselves by the end of the 1990's. That does not exactly help to stabilize the Nordic area.

"Norway is increasing its appropriation by three percent per year. Finland will reportedly decide on between four and six percent."

## Air Force's Turn

The increased funds should, according to Bildt, be used to improve the Air Force, among other things.

"Defense Minister Roine Carlsson recently said in a SVENSKA DAGBLADET interview that he was concerned about violations of our air space. Then a natural conclusion should be that we equip ourselves better."

According to Bildt Sweden needs air defense missiles and resources for electronic warfare, such as destruction of radar stations.

Then from where should the money for defense be taken?

"Although I will not now directly point to areas from which the money should be taken, it should be no great problem to get the funds through savings. Furthermore we of course have growth in the economy so that our income from taxes grows every year."

9287

CSO: 3650/282

## PAPER UNDERLINES IMPORTANCE OF VOLUNTARY DEFENSE GROUPS

Stockholm SVENSKA DAGBLADET in Swedish 6 July 86 p 2

[Editorial: "The Defense of All of Us"]

[Text] It is often said that the will to defend is the most important asset of the defense forces. That is certainly true, in a way. All the billions are thrown away, all the tanks and corvettes are of no use if the national leadership is not irrevocably determined to use them when appropriate--and knowing that they have massive popular support.

A worthwhile way to guarantee that such popular support exists is joining one of our numerous volunteer defense organizations.

Several days ago the "Year of Volunteers for Defense" was inaugurated in order to call attention to their importance. This is not a matter of small bands of people; not at all odd groups following their individual hobby interests, as a few ignorant and ill-informed critics sometimes imply. Overall there are 700,000 people involved--about the same number as the defense forces have in uniform.

What do they do, these hundreds of thousands of volunteer defense workers?

The largest and best-known group is of course the Home Guard, well over 100,000. An entirely voluntarily recruited and trained movement--which is a part of the Army's wartime organization. They have the vital tasks from the very first moment of guarding and defending airfields, harbors, storage and workplaces. The supreme commander and his colleagues would not be able to sleep at night if the Home Guard were not in their plans.

It is similar with our reserve officers--7,000 organized by professions, more than there are in uniform. Without them the wartime units would never get moving, or as they say in military jargon, even less to shooting--the expression is meant literally.

Perhaps it is so, however, that the voluntary defense organizations, working for themselves toward a common goal, have had their most important function in giving women the opportunity to make a contribution. It has been only recently that for the first time the opportunity to become officers has been

made available to them--the Army's first three female second lieutenants were photographed just recently.

Women have naturally been in the defense forces for a long time. More than 50,000 of them belong to the National Federation of Swedish Women's Auxiliary Defense. They serve in all branches of the forces. All who have seen the inside of a staff know that it would fall apart without their help; the same is true in the field. Hardened colonels and generals are said to have expressed their amazement that we for so long have been able to get so much work accomplished without offering a rather respectable wage.

Furthermore there are of course many others. This is not the place to mention them all. The Voluntary Flying Corps, which aids the Civil Defense. The Swedish Working Dog Club, which among its many tasks trains guard dogs for the Air Force. Or the Swedish Parachutists Club, which does what its name implies. Or why not the Army Postal Service Association?

All of these have one thing in common: They have all voluntarily decided to make their own contribution to the defense of Sweden.

They may possibly have the right to ask one thing of the rest of us; even though one seldom hears a female member of the Motor Transport Corps or the Blue Star [Women's Auxiliary Veterinary Corps] ask for anything except the opportunity to help.

They should have the right to ask that the defense that they serve--which is also their and our defense--is as good and strong as possible. No female Navy auxiliary can fail to observe that all of our destroyers and frigates are gone. No hard-working member of FBU [Central Federation for Voluntary Military Training] can agree with the genial idea that the defense is automatically strengthened by several percentage points of cuts per year. Only Social Democrat defense experts believe that. Others believe that an automobile becomes better after having been driven for 10 years, or a tank after 30.

The will for defense is decisive, but it is not decisive alone. There is a limit past which enthusiasm and a feeling of responsibility is too heavy. That is when the enthusiastic ones and those with a sense of responsibility begin to doubt that those in power really value what is being done.

Young motorcycle messengers, hardened female flyers and happy radio amateurs can then look seriously and without a trace of humor at those who would not take them seriously--by giving them what they need to defend themselves and us.

9287

CSO: 3650/282



## BRIEFS

SLOWER ENERGY CONSUMPTION GROWTH--The use of electricity in the last 12 months increased a full percentage point. The corresponding growth rate a year ago was 8 percent after an unprecedented cold winter. This year the consumption of electricity was reduced by the general strike of the SAK [Finnish Confederation of Trade Unions] and the weakened economy. Industry uses more than half of our country's electricity, of which a total of 51.5 billion kilowatt hours was consumed from the beginning of last July until the end of this June. In the second half of the year it is expected that the consumption of electricity will increase slightly. It may still remain less than 3--4 percent, which was predicted at the beginning of the decade. In the last 3 years growth has been double that of the predictions. A full one-third of the electricity consumed in Finland is produced by nuclear power. A little less than one-fourth each is obtained from hydro-power and counterpressure power. [Text] [Helsinki HEL-SIN IN SANOMAT in Finnish 16 Jul 86 p 20] 10576

CSO: 3617/147

## PRIVATE FIRMS TO PRODUCE ELECTRICITY

Istanbul DUNYA in Turkish 25 Jun 86 p 9

[Text] Ankara (AA) -- Private companies have been submitting project proposals to the Ministry of Energy and Natural Resources since the beginning of 1985, when a law allowing the private sector to establish and operate power plants was enacted.

According to information obtained from the Ministry of Energy and Natural Resources and officials from the Turkish Electric Power Directorate General, 60 firms have, to date, drafted and submitted to the ministry and related organizations proposals to build hydroelectric and thermal power plants. If the projects, which are designed to produce 20 billion kilowatt-hours of electrical energy per year, are approved, construction contracts with the firms will be signed, and work on the power plants will commence.

## Projects

Meanwhile, the Ministry of Energy and Natural Resources has proposed projects for five hydroelectric and one thermal power plant. These are to be built by the private sector, and the basic procedural work has been completed. According to information that has been obtained, agreements with the Ministry of Energy and Natural Resources will be signed soon for the following hydroelectric and thermal power plant projects:

- [1.] Adiyaman-Golbasi thermal power plant: 210 megawatts and annual production of 1.34 billion kilowatt-hours.
- [2.] Hasanlar Dam: 12 megawatts, annual production of 41 million kilowatt-hours.
- [3.] Berdan Dam (Mersin): 10 megawatts, annual production of 48.5 million kilowatt-hours.
- [4.] Camlica Units 1 and 2 (Kayseri): 161.4 megawatts, annual production of 649 million kilowatt-hours.
- [5.] Tohma (Malatya): 13.6 megawatts, annual production of 57 million kilowatt-hours.

In the meantime, ministry officials state that they are continuing to study 55 project proposals to build hydroelectric and thermal power plants in various regions in Turkey. If these projects are carried out, approximately 20 billion kilowatt-hours of electrical energy will be produced when the plants become operational. The price of energy produced will be determined by the Council of Ministers.

## OIL PRICES TO BE DEREGULATED

Istanbul TERCUMAN in Turkish 24 Jun 86 p 12

[Text] Ankara -- Prime Minister Turgut Ozal met yesterday in his office with representatives from 24 foreign corporations, the majority coming from West Germany, France, and Switzerland. Ozal gave corporate representatives an overview of the Turkish economy and criticized economic policies pursued by governments of developed nations. He noted that the economic policy applied by Turkey since 1980 has proved to be correct and said, "There is no retreat from a liberal economy. In fact, we will liberalize the system even further and make it more free."

Prime Minister Ozal greeted the delegation of 24 businessmen from various western nations and headed by Marc H. Battaille at 1400 hours yesterday in his office. Ozal, who spoke at a meeting that resulted in cooperation between the Turkish Government and the Center for Relations with the International Community, which is headquartered in Belgium, stated that the Turkish economy has made a transition to the free-market system since 1980. He called attention to the fact that this system is criticized by various experts and reported that the 6 years of application have proved the system rather than the critics to be correct.

## Ozal's Accusations

During his speech, Ozal also criticized the economic policies applied by governments of developed nations. He continued:

"The Turkish economy was in great difficulty between 1970 and 1979. The policy we pursued during that period was a policy of substitution for importation. There were contradictions, prohibited procedures, goods that were not allowed to be imported. There was excessive state interference. Broad price controls were applied. As a natural consequence, we reached a very difficult point, as far as our economy was concerned, by the end of the decade. We could not pay our debts. We had an unsecured trade deficit of more than \$2 billion. The Central Bank could not make transfers. At that time, the Central Bank alone had the authority to transfer foreign exchange."

## Oil Prices To Be Deregulated

Ozal, who reported that price controls are applied for very few goods in Turkey today, said, "The exception is oil, and I believe that, within a very short period,

within the next year and a half, we will find a means to lift price controls on oil. There are great fluctuations on the oil market today. The conclusion we have reached from contemporary experience is that the state's role consists solely of determining whether or not free competition truly exists. If there is really free enterprise, a system will rapidly develop on its own."

#### High Interest Rates

Ozal asserted that the reason to force firms to operate freely is to ensure that resources are able to be utilized at the highest level. However, he said, businessmen here, as well as throughout the world, complain about high interest rates. He went on:

"I foresee a positive era for Turkish firms. Prior to 1980, our companies had 6-month, 2-year, and even longer-term inventories. Now, we have developed in Turkey large companies that work with 1-week and 1-month inventories. Today, they are able to assess their status through the use of computers. I believe that the reason for this is the high interest rate. If they did not use computers and maintain low inventories, they would go bankrupt."

#### No Retreat from Liberal System

In his speech, Ozal presented his thoughts on the future and maintained that the system being applied will endure. He said:

"Turkey has reached a point from which there is no going back. To make progress, we are forced to go forward. There is no question of our returning to our old system, which was quite inadequate. We will proceed, we will liberalize the present system even further, and we will make it more free."

#### Secret Talks

Yesterday, prior to their meeting with Prime Minister Ozal, officials of multinational corporations from developed western nations attended a briefing at the DPT [State Planning Organization]. In addition, the foreign businessmen met at the Grand Ankara Hotel for a 45-minute evaluation of the situation. The delegation of foreign businessmen, who conduct their talks in great secrecy, also met at separate times with Treasury and Foreign Trade Undersecretary Ekrem Pakdemirli and Central Bank Chairman Yavuz Canevi. Today, the businessmen will be guests of State Chairman and Deputy Prime Minister Kaya Erdem and will visit TOB [Turkish Union of Chambers] Chairman Ali Coskun.

11673

CSO: 3554/130

## DEFICIT WITH OIL SUPPLIERS RECOVERED

Istanbul DUNYA in Turkish 25 Jun 86 p 9

[Text] Ankara (ANKA) -- The deficit incurred annually for years with countries that produce crude oil has been reduced to zero this year. The balance of payments, which was a deficit of \$217 million in the first quarter of last year, is \$9 million in Turkey's favor this year.

According to calculations, Turkey's oil imports from Iraq, Iran, Saudi Arabia, Libya, Kuwait, Algeria, and the People's Republic of China totalled \$862 million in the first three months of 1985 and were reduced to \$643 million this year.

Exports to these nations did not decline as anticipated due to the fall in the price of oil, but, in fact, rose from \$645 million to \$652 million.

In this way, Turkey's negative trade balance was reversed.

The greatest change in the balance of payments involves trade with Iran. Last year, Turkey imported from Iran goods worth \$93 million more than exports to that country. This year, exports exceeded imports by \$143 million. Imports from Iran fell from \$318 million to \$104 million while exports to Iran increased from \$225 million to \$247 million. The 67-percent reduction in imports was the result of Turkey's not purchasing oil from Iran for a period of time due to a delay in implementing an agreement based on the principle of "net-back."

During the same period, imports from Libya fell from \$158 million to \$95 million whereas exports rose from \$13 million to \$31 million. Imports from Iraq fell by \$17 million to \$258 million. Exports, too, were reduced and fell by \$59 million to \$211 million.

It has been determined that oil constituted 93 percent of the importation from oil-producing nations last year and 91 percent this year.

Because of developments tied to oil prices, Islamic countries' importation fell from 37 percent to 24 percent of Turkey's total exports while that of OECD nations rose from 54 percent to 62 percent.



**END OF**

**FICHE**

**DATE FILMED**

Sept 25, 1986